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Some Recent Changes in Agriculture, with Particular
Reference to the Southwest*

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Our information concerning the nature of agricultural adjustments in the Southwest¹ comes from two major sources: The federal Census and special research studies. The first supplies us with information concerning conditions existing at a given point in time. By comparing conditions at one specified time with those existing at prior or subsequent periods it is possible to gain some understanding of what may be called underlying or long-time trends. Fundamentally, these trends represent changes in the relationships of people, in the activities of their daily living, in the institutional controls by which their activities are governed, and in the attitudes and values which give them meaning. For a deeper insight into these basic changes we must depend largely on intensive local studies rather than on the statistical manipulation of Census returns.

Notwithstanding its limitations the Census provides a variety of rough *indexes* of the changes that are taking place. These indexes may, to some extent, be interpreted in terms of their deeper social meaning. They may also serve to indicate some of the areas where research of a more intensive character is needed.

In the present paper four such general indexes of particular sociological significance have been selected for special attention. These

* Adapted from a paper presented at the meeting of Section "K" of the American Association for the Advancement of Science in Dallas, Texas, December 29, 1941.

¹ The term Southwest as used throughout this paper refers to the West South Central States (Arkansas, Louisiana, Oklahoma and Texas) as defined by the Bureau of the Census.

are: (1) Population, (2) Land tenure, (3) Technology, and (4) Level of living.

POPULATION

A change of major importance in the Southwest as in the rest of the Nation is the declining proportion of the population engaged directly in agriculture and the corresponding increase in the proportion in industrial occupations or unemployed. In 1920, 51 per cent of the total population of the four-state region resided on farms; the corresponding figure for 1930 was 44 per cent and for 1940, 39 per cent. In the Nation as a whole this declining percentage has not been accompanied by a corresponding reduction in actual numbers of persons living on farms. In fact the rural farm population of the United States has decreased only slightly during the past 20 years. However, in each of the four states in this area, except Louisiana, the decade 1930-1940 witnessed a reduction in numbers of the farm population amounting to nearly 257,000 or about 5 per cent. The reduction was most pronounced in Oklahoma and Texas and was chiefly owing to the extensive movement of farm families from the semi-arid counties in the western portions of those states. This loss of farm population is in accord with statements of agricultural planning groups in this and other areas to the effect that desirable adjustments require a reduction in the number of people living on the land. In the opinion of many the High Plains area is able to support its present reduced population at a decent standard of living, but there is as yet no guarantee that the conditions of an earlier period will not reappear. In any case, there is little evidence that the problem of surplus farm population is being solved in other portions of the four-state region in the same way that it is said to have been solved in the High Plains.

The basis of the problem is the high birth rate of the farm population in comparison with that of non-farm areas. For example, a preliminary Census release for 1940 shows a net reproduction rate of 78 for the urban, 114 for the rural non-farm, and 146 for the rural farm population of the four states. Since a rate of 100 will maintain a stationary population, the disproportionate contribution of the rural farm areas can be readily appreciated. However, the 1940 figure for the rural farm population is 13 points under that for 1930. This compares with only an eight point drop for the urban population and suggests that the present wide differences in fertility between rural

and urban areas may be diminished in the future. While such differences persist it is only through extensive migration from the farm that the pressure of population upon agricultural resources is prevented from being many times greater than it actually is. Taeuber has estimated² that if there were no migration from farms the farm population for the country as a whole would increase from 350,000 to 400,000 persons per year, this being the approximate annual excess of births over deaths for the farm population. Two-thirds of this natural increase is in the South, but only half the farm families are located in this section.

For the United States as a whole, the movement away from farms reached its peak during the period 1922-1926. After 1926 it slowed down until 1932, when there was an actual net back-to-the-land movement. By 1934 the tide had again turned to the city and it has moved in that direction ever since, though at no time reaching the high point of 1926. It is still too early to assess the full effects of the current industrial expansion incident to the war, but there is no doubt that it has greatly accelerated the farm-to-city movement.

Turning again to the Southwest it is estimated on the basis of Taeuber's figures that from 1920-1930 there was a net loss due to migration of more than 1,057,000 persons from the farms of Arkansas, Louisiana, Oklahoma and Texas. Texas, with 513,000, accounted for nearly one-half of the total. For the other states the figures were: Arkansas, 228,000; Oklahoma, 199,000 and Louisiana, 117,000. These four states together accounted for approximately 18 per cent of the total for the United States.

Preliminary estimates for the period 1930-1940 indicate a considerable reduction in the total net migration from farms of the four states in comparison with the previous decade although there appears to have been some increase in the migration of Negroes.

It should be remarked, in passing, that decennial figures frequently obscure significant shifts within the ten-year period. For example, the 1935 Census of Agriculture shows that the number of farms in Oklahoma increased by approximately 5 per cent from 1930-1935 but declined nearly 16 per cent from 1935-1940.

Other population factors, such as changing age and racial composi-

² Conrad Taeuber, "Statement of Farm Population Trends." Paper presented before the Senate Committee on Education and Labor, Washington, D. C., May 16, 1940.

tion, have a bearing on the problem of agricultural adjustments, but space will not permit their discussion here.

TECHNOLOGICAL CHANGE

Closely related to the problem of migration and surplus farm population is the onward march of technology on the farm. This has many aspects, only a few of which can be mentioned here. One of the most striking indexes of technological change is the increasing use of the farm tractor. Preliminary figures from the 1940 Census indicate that more than a million and a half tractors were in use on farms in the United States in 1940. This was over 600,000 more than the number reported in 1930.

During the period 1920-1940 the percentage of farms in the U. S. reporting tractors increased from less than 4 to 23. For the four states in the West South Central Division the increase was from nearly 2 per cent to 17. The largest increases during this period occurred in Texas and Oklahoma and the smallest in Arkansas and Louisiana. By 1940 more than 1 farm in 5 in Texas and Oklahoma reported a tractor, while for Arkansas and Louisiana the figure was less than 1 farm in 20. The increases in Texas and Oklahoma were doubtless related in some measure to the decline in number of sharecropper farms.

Although mechanization in the southern states has been slow in comparison with other areas, such as the Midwest and North Central regions, certain portions of the four states comprising the West South Central Division experienced an exceptionally rapid increase in the number of tractors from 1930-1940. This was especially true in the delta portions of Arkansas and in the wheat and western cotton areas of Texas and Oklahoma. The Department of Agriculture publication, *Technology on the Farm*, predicts that during the next decade the number of tractors in the South Central States will increase more rapidly than in any other region.³

The percentage of farms having automobiles and trucks may be taken as another indication of increasing mechanization.

For the United States as a whole, the percentage of farms having automobiles increased rapidly from 1920-1930 (from 31 to 58 per cent) but the figure for 1940 showed practically no change. In each

³ *Technology on the Farm*, A Special Report by an Inter-Bureau Committee and the Bureau of Agricultural Economics of the U. S. Dept. of Agri., U. S. Govt. Printing Office, Aug. 1940, p. 12.

of the four states in the West Central Division the percentage of farms having automobiles increased from 1920-1930 much more than for the nation as a whole, the combined figure for the four states being 17 for 1920 and 46 for 1930.

From 1930-1940, however, Texas was the only one of the four states showing an increase in the percentage of farms with an automobile. The gain for Texas was slight (from 57 to 60 per cent); the figure for Oklahoma remained approximately the same (57 per cent); while Arkansas and Louisiana both registered a decline (from approximately 26 per cent in 1930 to 21 per cent in 1940).

Unlike the figure for automobiles, the percentage of farms having a motor truck showed an increase at both of the decennial Census periods since 1920. This was true both for the United States and for each of the four states in the West South Central Division. For the United States the gain was from 2 per cent in 1920 to more than 15 per cent in 1940. For the four-state division the corresponding gain was from less than 1 per cent in 1920 to nearly 13 per cent in 1940. Of the four states, Oklahoma had the largest percentage of farms with a motor truck in 1940 (15 per cent) and Arkansas the smallest (9 per cent).

Closely associated with the increased use of farm tractors, trucks and automobiles has been the spectacular decline in number of horses and mules. It is estimated that in round numbers the decline for the United States has been from twenty-five million in 1920 to nineteen million in 1930 and fourteen million in 1940. This represents a decline for the 20-year period of nearly 45 per cent. For the four states in the West Central Division the decline for the corresponding period was considerably less, being only 37 per cent. Of the four states, Oklahoma experienced the most spectacular reduction in the workstock population, with a decline of 54 per cent, or nearly 10 points above the national average.

Other phenomena that appear to be related to increasing mechanization are recent changes in number and size of farms. For the United States the average size of farm increased from 153 acres in 1920 to 157 in 1930 and 174 in 1940. Corresponding figures for the four states in this Census division show a decline from 1920-1930, followed by a rather sharp increase from 1930-1940. The figures are 174 acres in 1920, 167 in 1930, and 208 in 1940. Trends in the four states were

not uniform, however. In each of the four states except Louisiana the average size of farm in 1940 was considerably greater than in 1920. The figure for Oklahoma was about the same in 1930 as in 1920 (166 acres) but increased by 28 acres from 1930-1940. That for Texas declined by 10 acres from 1920 to 1930 but increased by 77 acres during the following decade.

As would be expected, the number of farms, both for the United States and for the four states, has decreased as the average farm size has increased. According to the 1940 Census the 13 per cent decline in number of farms in the West South Central Division from 1930-1940 was greater than the reduction in any other area in the Nation. As Smith has indicated, the interpretation of such figures for the South should take into consideration the recent large reduction in number of farms operated by sharecroppers.⁴

Recent technological changes in agriculture are by no means limited to the increased use of farm tractors, trucks or automobiles. They include also new tillage and harvesting implements, fertilizer distributing machines, rural electrification, various soil conservation practices, increased production from new and improved varieties of crops, improvements in the productive efficiency of livestock and improvements in farm-to-market roads. Recent laboratory research, such as that in the field of plastics or synthetic textile fibres, suggests that other developments of great significance for agriculture may be expected in the future.

It is impossible to assess the full effects of all of these technological changes on the agricultural life of the nation or even of any one area or state. We shall probably have to depend on intensive local studies for a better understanding of their full sociological implications.

LAND TENURE

Tenure is usually defined in terms of the nature of the relation between man and the land. To the sociologist the most significant thing is not the character of the relation to the land, as such, but rather its effects upon the relationships of people.

Since 1920 changes in the proportion of tenancy in the four states in the West South Central Division have followed a general trend

⁴ T. Lynn Smith, "The Significance of Reported Trends in Louisiana Agriculture," *Southwestern Social Science Quarterly*, Vol. XXII, December 1941, pp. 233-241.

similar to that for the Nation. In the United States and in the four states there was an increase in tenancy from 1920-1930 followed by a decline during the next decade to a point almost identical with the figure for 1920. However, for each Census period the proportion of tenancy in each of the four states has been considerably above the national average. The figure for 1940 was 38 per cent for the United States, 59 for Louisiana, 54 for Oklahoma, 53 for Arkansas and 49 for Texas.

There is little doubt that such general figures conceal some significant shifts that are taking place in tenure groups and their relationships to each other.⁵ In each of the four states the percentage of croppers declined during the last decade much more than was the case with other tenure classes. In 1930 croppers comprised nearly 37 per cent of all tenants in the area, but in 1940 they comprised only 26 per cent of all tenants. The decline in proportion of croppers was most pronounced in Oklahoma. In 1930 this group composed nearly 17 per cent of all tenants in the State, but by 1940 the figure had fallen to slightly over 5 per cent.

Insofar as a reduction in the number of sharecroppers or other tenants represents an improvement in their tenure status it will generally be regarded as a highly desirable phenomenon. There is reason to believe that this has been true only in a very limited degree. Thus, while the number of sharecroppers in the four states declined from 1930-1940 by nearly 119,000 and the number of other tenants by 62,000, the number of full and part owners increased by only 42,000. Assuming that all of these new owners were recruited from the ranks of sharecroppers or other tenants (which is improbable) there remain 139,000 who cannot thus be accounted for. The conclusion seems warranted that most of this group either became wage laborers or joined the stream of migrants away from the farms of the four states. Some of course, may have died or become unemployed during the ten-year period.

Relatively little Census information on farm labor was secured prior to 1940 and very little from the 1940 enumeration is yet available. There is evidence from other sources, however, that in recent years a considerable number of renters and sharecroppers have been reduced

⁵ John F. Timmons, "Tenure Status of Farm People, 1940," *Land Policy Review*, Vol. IV, No. 8. August 1941, pp. 29-35.

to the status of wage laborers. For example, a recent study by the Arkansas Experiment Station found that from 1935 to 1938 the number of renters and croppers in three Delta counties of the State decreased by 17 per cent while the number of wage laborers increased proportionately. In three counties in the Coastal Plains area, renters and croppers decreased only 9 per cent while the number of wage laborers doubled.⁶ These shifts are probably a result of several causes but are no doubt associated in some degree with increased mechanization and reduced cotton acreage. Since the impacts of the war have begun to make themselves felt there is evidence that what was previously a farm labor surplus is being rapidly transformed into a relative shortage. This recent development may cause a reversal of the share-cropper to wage laborer trend mentioned above because of the efforts of plantation owners to assure themselves of an adequate supply of labor during the emergency.

Some indication of length and security of tenure, as distinguished from tenure status, can be derived from Census data pertaining to number of years the operator has lived on the same farm. These data seem to show a considerable increase in stability of the farm population of the four states from 1930 to 1940. In 1930, for example, only 25 per cent of the farm operators in these states had lived on the farm then occupied for 10 years or more. By 1940, the proportion of operators in this category had risen to 35 per cent. In 1930, 61 per cent reported having occupied the same farm for less than 5 years; by 1940 this percentage had fallen to 48. For the United States the corresponding 1940 figure was only 38 per cent, indicating that the farmers of the Southwest are still considerably more mobile than those in the rest of the Nation.

Turnover in ownership by various methods increased somewhat in frequency from 1930-1939 both in the Nation as a whole and in the four-state region. For the region, only 53 out of every 1,000 farms changed ownership during 1930. This number increased to a maximum of 88 in 1933 but had declined to around 60 by 1939.⁷

LEVEL OF LIVING

It may be said that all of the changes discussed up to this point are chiefly significant as they affect the level of living of farm families.

⁶J. G. McNeely and Glen T. Barton, *Land Tenure in Arkansas, II. Change in Labor Organization on Cotton Farms*. Ark. Agr. Exp. Sta. Bul. 397, June 1940.

⁷*Agricultural Statistics*, U. S. Dept. of Agri. 1940, p. 586.

This is particularly true if we include psychological as well as material factors in the concept level of living. The "good life" for farm and city residents alike consists fundamentally in the satisfactions derived from daily experiences. Some of these satisfactions accompany the use or consumption of material goods such as automobiles, food, or home conveniences; others result from social contacts with family or friends, or from active participation in the affairs of the community.

Assurance of these satisfactions and the feeling of security that accompanies them has come to depend in increasing degree upon an adequate money income. In a money economy practically everything has a dollar value and without the necessary dollars the good life cannot be achieved. To the extent that this is true it is possible to measure level of living in terms of money income or material possessions having monetary value.

Even if we accept this possibility, however, it is actually very difficult to generalize concerning the trends in level of living of farm families during the past twenty years. One reason is that the various changes in population, technology and tenure arrangements discussed above have affected different segments of the farm population in different ways. It is no longer possible to regard the farmers of the United States as a homogeneous group. We have frequently of late heard the distinction made between "big business" and "little business" and between "capital" and "labor." As farmers have become more and more involved in the meshes of an interdependent commercial economy, similar distinctions have become appropriate in the field of agricultural production. Just as certain industrial trends are said to be having different effects on little business as compared to big business so some of the current trends in agriculture may have contrasting effects on different segments of the agricultural population.

On the basis of current reports, the level of living of farmers in the United States appears to have improved greatly in recent years. A U. S. Department of Agriculture release under date of December 1, 1941, states, "Farmers are bringing to a close their best year since 1929 with production, prices, and income at high levels."⁸

Before allowing ourselves to become complaisant over recent improvements, however, it is well to recall the large regional variations that exist and the differential effects of returning prosperity on the

⁸ *Daily Digest*, U. S. Dept. of Agri.

various segments of the farm population mentioned above. On any map or chart showing farm income or other index of level of living the Southern States are invariably at the bottom of the scale. Also any kind of a computation of level of living by tenure in this area would show wide variations among owners, renters, sharecroppers and laborers.

With these considerations in mind a few readily available indexes of level of living may be briefly considered.

Recent improvements in farm income have already been mentioned. Farm income data that will be uniform and comparable for all areas are difficult to compute. Gross cash income is perhaps the most readily available general index of this basic factor in family living. Such data as are available indicate that the average gross cash income per farm has increased since 1935 but is still considerably under the figure for 1925. For the United States the average was estimated to be \$1,891 per farm in 1925, \$1,494 in 1930, \$1,248 in 1935 and somewhat more than \$1,300 in 1940. For the four southwestern states the corresponding figures were \$1,580 in 1925, \$882 in 1930, \$925 in 1935 and above \$1,094 in 1940.⁹

Value of farms and proportion of owned farms that are mortgaged may be assumed to represent other general measures of agricultural well being. The 1940 Farm Census indicates an upward turn in the value of farm lands and buildings in the United States as compared with 1935. The figure is still 30 per cent under that for 1930 and nearly 50 per cent under 1920. The fact that this decrease may have been due in part to a desirable reduction of inflated land values does not lessen its disastrous influence on farm purchasing power and level of living. The states in the West South Central Division experienced much less fluctuation in the value of farm land and buildings than was the case in the United States as a whole. The 1940 figure for the four states was approximately 27 per cent under that for 1930 and 33 per cent under that for 1920. Of the four states, Oklahoma approached most closely to the national trend. Texas is the only one of the group for which the average figure for 1940 was greater than that for 1920.

Percentage of owned farms mortgaged declined for each of the four states except Louisiana from 1920-1940. All but Oklahoma had

⁹ Computed from data contained in *The Agricultural Yearbook*, 1930 and 1932 and from *Agricultural Statistics* for 1937 and 1940. Computations for 1940 were based on income figures for 1939 and for this reason are probably too low.

a higher percentage mortgaged in 1930 than was the case 10 years earlier. The figure for the four states combined was slightly under 34 per cent mortgaged in 1920, 38 per cent in 1930 and 32 per cent in 1940. For the United States the corresponding percentages were 54, 40 and 39. Notwithstanding this improvement, a recent article in the *Land Policy Review* states that, "Almost 1,750,000 mortgaged farm businesses failed in the last decade, and if tenant farm business failures were added, the figure would probably be well over 2,000,000. Thus in the past 10 years nearly one-third of all the farms in the United States failed . . ."¹⁰

Rural electrification is bringing electric lights and power to increasing numbers of farm homes in the four southwestern states although the percentages in this area are still far below that for the Nation. Of the 6 million farms in the United States in 1941 it is estimated that approximately one-third have been electrified. The percentage of all farms electrified is more than three times the figure for 1935, which was the year in which REA was established. For the four states combined the percentage of farms with electric lights increased from 2 per cent in 1920 to 17 per cent in 1940. Texas, with 22 per cent of its farm homes electrically lighted, led the group of four states in 1940, followed by Oklahoma with 16 per cent, and Louisiana and Arkansas with around 11 per cent each. Although the trend during the past decade has been sharply upward, the possibilities of further expansion in this field are obviously very great.

The proportion of farm homes with telephones has declined, both in the United States and in the four-state region, at each of the decennial Census periods since 1920. In that year approximately 39 per cent of the farm homes of the Nation had a telephone. This figure dropped to 34 in 1930 and to 25 in 1940. For the four states the 1920 percentage was 27 but the decline during the next two Census periods was relatively much greater than for the United States, dropping to 17 per cent in 1930 and to 11 per cent in 1940. Of the four states, Oklahoma had the highest percentage of farm homes reporting a telephone in 1940 (18 per cent) and Louisiana the lowest (3 per cent).

Space will not permit the extended discussion of additional indexes of changes in the level of farm family living. One extremely im-

¹⁰ Walter M. Rudolph, "A Report on Interstate Migration," *Land Policy Review*, Vol. IV, June 1941, pp. 24-25.

portant factor which should be mentioned is the matter of health and the medical facilities available to farm families. There is evidence that a disproportionate amount of recent gain in the field of public health has gone to urban areas. In many rural sections of these four states the country doctor has become almost extinct. Wilson and Metzler's study in an Arkansas Ozark county showed only six physicians in the entire county, or one for every 2,222 persons. There were no dentists, hospitals or public health nurses in the county.¹¹ This lack of local medical facilities in rural areas has been only partially compensated for by improvements in transportation and communication, since many low-income families are unable to take advantage of these improvements.

Notwithstanding certain negative evidence, as in the case of farm telephones and rural health facilities, there seems little doubt that for the farm population as a whole recent years have brought an improvement in level of living as measured by such factors as income, value of real estate or possession of material conveniences. Even though the *level* of living may not have been raised for many farm families, what may be called the *content* of living has certainly been changed.

This is suggested in the following quotation from the Department of Agriculture publication, *Technology on the Farm*:

"It cannot be assumed, however, that all these changes are positive signs of improvement in the rural ways of life. All change is more or less disturbing and the rapidity with which science and technology have entered agriculture has introduced instability and even frustration to some extent. Commercialization of rural life in terms of both buying and selling has added costs which have placed financial strains on many farm families and introduced a degree of both economic and social instability. Wider social contacts through newspapers, telephones, radios, and use of the automobile are guaranteed only by the expenditure of considerable funds."¹²

INSTRUMENTS OF ADJUSTMENT

The objective in the foregoing pages has been to sketch a few of the recent changes of major sociological significance which have occurred in the agriculture of the United States and the four states in the southwestern region.

¹¹ Isabella C. Wilson and Wm. H. Metzler, *Sickness and Medical Care in an Ozark Area in Arkansas*, Ark. Expt. Sta. Bul. No. 353, Fayetteville, Arkansas, Apr. 1938, p. 10.

¹² *Op. cit.*, p. 71.

In this concluding section brief attention will be given to the question of the extent to which these and other changes can be brought under some degree of rational control and the means available for this purpose. That some measure of control is possible few would deny. Some controls have, in fact, already been applied, with varying degrees of success. Those having to do with the more strictly physical aspects of adjustment, such as soil conservation, or practices designed to regulate agricultural production appear to have been most successful. The programs of the Agricultural Adjustment Administration and Soil Conservation Service belong in this category. So also, for the most part, does the work of the Extension Service.

Less susceptible of rational control are some of the more strictly human adjustments, involving such things as tenure relationships, distribution of income and level of living. Most difficult of all perhaps are the population factors although even here certain phases, such as migration, have to some extent been directed into desired channels.

Assuming that at least a degree of rational direction of some or all of these trends of change is possible, the questions arise as to who is to exercise the controls and for whose benefit they are to be invoked. Are they to be primarily for the benefit of landowners, renters or croppers? Whites or Negroes? Large farmers or small farmers? Cotton farmers or wheat farmers? Residents of poor land or of good land?

It must be admitted that, whether by accident or design, legislative attempts at control have frequently resulted in greater benefit to one group than to another. All too often it has been a matter of giving to those who have and taking away from those who have not. If we are to preserve the democratic heritage for which we are now fighting it is essential that we make secure that equality of opportunity which is the very essence of the democratic tradition. We must maintain the "open door" at home as well as in the field of international relations.

One of the most promising of the instruments of control which have been developed in recent years, and one that is closely in harmony with democratic traditions, is the agricultural planning program sponsored by the United States Department of Agriculture in cooperation with state colleges and local farm men and women. Under this program, planning committees made up of representative farmers and representatives of various agricultural agencies have been organized

in 47 states and some 1,900 counties. The function of these committees, as they are coming to be defined in practice, are as follows:

1. To determine, through discussion and cooperative agreement, the types of adjustments which it is desired to encourage in the area.
2. To determine, in the light of these desired goals, the major problems which should be given attention.
3. To employ such acceptable methods as are available to attain the goals which have been agreed upon.

While it must be admitted that this planning program as it has operated to date has many shortcomings, it must also be admitted that its achievements are remarkable and its potentialities for the future very great. Through this means, the local face-to-face group, the free discussion of common problems and cooperative efforts in their solution, have an opportunity to grow and flourish. At the same time, machinery is provided for integrating these local activities with over-all programs on the state, regional and national levels.

This planning machinery can be of very great value in the inevitable period of readjustment which will follow the present war. Already through this mechanism consideration is being given to the problems of the post-war world in an effort to avoid some of the more serious agricultural dislocations which followed World War I.

A final note of warning is perhaps in place in this connection. The adjustments necessary to a prosperous rural life following the war cannot all be made by agriculture alone, in the Southwest or any other region. We know that the problems of agriculture during the depression years were greatly augmented by the failure of industry to absorb its normal quota of the surplus farm population as well as by the curtailment of consumer purchasing power due to industrial unemployment. The agricultural plant of the Nation is always in continuous operation, in war or peace, in good times or bad. Farmers have never failed in their fundamental obligation to provide food and fibre for the American people. Intelligent planning on a national scale requires that ways be found to insure similar full and continuous operation of the Nation's industrial plant.

Prince Lichnowsky's Mission to London

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I

The mission of Prince Lichnowsky to London, 1912-1914, was one of many attempts in pre-war Europe to improve the relations between Germany and England. During the Agadir Crisis, Lloyd George had flung his electrifying challenge at Germany in his Mansion House Speech on July 21, 1911.¹ War seemed imminent. Sir Edward Grey, the British foreign minister, warned the admiralty to be ready for action in the event of a German attack. But Germany, faced by the solid opposition of the Triple Entente, backed down from her exorbitant demands for compensation and became more reasonable. Gradually the tension abated; and responsible statesmen in England and Germany decided to try once again to work out the major differences between them and, if possible, reach an amicable understanding.²

Perhaps the most ominous consequence of the Agadir Crisis was a tremendous increase in military and naval armaments. Between 1911 and the outbreak of the World War, every power in Europe introduced new army and navy bills. The most dangerous aspect of the armament fever—and one of the fundamental causes of the war—was the decision on the part of the German government to introduce a new law or *Novelle*, providing for the creation of a third squadron and for the construction of three additional dreadnaughts in alternate years beginning in 1912. Before the bill was introduced in the *Reichstag*, the news caught the wind and created a profound shock on the British. They regarded the measure as a direct challenge to their vital sea supremacy and their security as an empire and as a nation. Their

¹ David Lloyd George, *War Memoirs, 1914-1915* (6v., Boston, 1933), I, 41. Note: These considerations are based on a longer study entitled *Prince Lichnowsky, Ambassador of Peaces a study in pre-war diplomacy*, Berkeley, California, 1941.

² One of the best studies on Anglo-German relations before the World War is in George Peabody Gooch, *Before the War, Studies in Diplomacy* (2 v., London, 1938), II, 3-133. The Anglo-German Friendship Society, under the leadership of Lord Avebury and Sir Frank Lascelles, did much to improve relations.

fears and antagonism had already been aroused by the growing German fleet and by the inflammable and boastful speeches of the kaiser. For over ten years the naval competition had been steadily growing between England and Germany. Every British suggestion to moderate the building program had been curtly and even arrogantly refused by the German government.³ The new German navy bill would leave the British no choice except to increase their own naval program in order to maintain their ratio of superiority.

There were, however, influential men on both sides of the North Sea who believed a *modus vivendi* could be found by which the two Powers could live in peace. Herr Albert Ballin, the director of the Hamburg-American line, and Sir Ernest Cassel, a well-known English banker, had frequently discussed Anglo-German relations and even acted as unofficial representatives for their respective governments. They suggested that the naval ministers—Churchill and Tirpitz—should get together to talk things over. After some diplomatic soundings, the German government invited Sir Edward Grey, the British foreign minister, to visit the kaiser. Grey had good reasons to distrust the Germans and decided not to go. He questioned German sincerity and, in addition, did not want to run the risk of arousing the suspicion of the French government by going personally to Berlin.⁴

The German invitation, however, could not be completely refused. Furthermore, its consideration would be useful for domestic politics, even if the German overture was not sincere, since the ministers could more easily secure money from the House of Commons for an increase in armaments, if they could testify that they had tried their best to mitigate the naval rivalry and had failed. They decided, therefore, to send to Berlin Lord Haldane, the minister of War and one of the ablest and most farsighted of English statesmen.

Lord Haldane arrived in Berlin on February 8, 1912. He informed Bethmann-Hollweg, the German chancellor, that while he had no authority to commit his government, he was prepared to discuss questions *ad referendum*. His aim was to listen and explain, not to promise or decide. The conversations centered mainly around three questions: the New Naval Law, which from the English point of view was the most significant; a formula of neutrality or political understanding;

³ Lloyd George, *War Memoirs*, 1914-1915, I, 12-27.

⁴ Viscount Grey of Fallodon, *Twenty-five Years, 1892-1916* (2 v. in 1, New York, 1925.), I, 241-242.

and colonial adjustments. Although Haldane was unable to make any definite offers, he persuaded the kaiser and Tirpitz to retard the building of the new ships, so that one would be ordered every three years instead of every two; and eventually no definite date was set for the third ship. This concession was the outstanding achievement of the Haldane mission.

Before he left Berlin, Haldane was handed a draft of the New Naval Law which had not yet been made public in Germany. It created a sensation in London. The British admiralty considered it more formidable than they had expected. It would force the British government to increase their naval expenditures by £12,000,000 during the next five years. England and Germany continued negotiations on the point in controversy but could reach no agreement. England demanded a further reduction of German's naval program in return for colonial concessions. Germany agreed, provided England signed a formula of unconditional neutrality. Such a formula Sir Edward Grey refused to accept.

These rather fruitless negotiations created a crisis in Germany, growing primarily out of the struggle between Admiral von Tirpitz and Bethmann-Hollweg. The German chancellor had succeeded in postponing the introduction of the New Navy into the *Reichstag*, but when he failed to procure a political understanding from Grey, the moody German emperor lost his patience. He felt, quite wrongly, that Lord Haldane had been disavowed by Grey. He also took the unconstitutional step of personally wiring his opinions to Count Metternich, the German ambassador in London, whereupon Bethmann-Hollweg sent in his resignation on March 8, 1912.⁵ He refused to be responsible for a policy dictated by His Majesty, because he felt that he was directly responsible to God, the country, and his conscience. The kaiser refused to accept the resignation, and the publication of the *Novelle* was postponed, whereupon Grand-Admiral von Tirpitz threatened to resign, if the Navy Law were dropped completely. Eventually, Tirpitz had his way. Grey was unwilling to give a neutrality agreement and Bethmann-Hollweg was unable to modify the *Novelle* without it. The Navy Law was finally introduced with only a minor change which provided for delaying the construction of capital ships.⁶

⁵ E. Jäckh, *Kiderlen-Wächter* (2 v. Stuttgart, 1924), II, 159-161.

⁶ G. P. Gooch and H. Temperley, eds., *British Documents on the Origins of the War* (11 v. London, 1926 ff.), VI, ch. 49; J. Lepsius, A. Mendelssohn Bartholdy, and F.

During the negotiations that grew out of the Haldane mission, Count Metternich, the German ambassador at London since 1901, pointed out that all efforts to reach a political understanding with England would be futile unless Germany were willing to renounce the New Navy Law. Metternich's reports were too truthful to be appreciated by the Wilhelmstrasse, and Tirpitz, who feared Metternich might interfere with his naval program, forced his resignation. The post he left vacant was filled by Baron Marschall von Bieberstein, who had since 1897 been the German ambassador at the *Sublime Porte*.

The new ambassador presented his credentials to George V on June 24, 1912, and remained in London until August 5, when he left for his summer vacation. He never returned. On September 24, 1912, the news was flashed to the world that the "Giant of the Golden Horn" was dead. Although ill and weary, he had accepted the London appointment with strong hopes of improving Anglo-German relations, and his death was a severe loss to his country, which was so sadly lacking in outstanding statesmen. Marschall was probably the only man with the strength and the courage to withstand the petty intrigues in the Wilhelmstrasse, which did so much to vitiate the Lichnowsky mission, and the naval-minded von Tirpitz and his host of satellites. Even Sir Edward Grey, who detested Marschall's unscrupulous policy at Constantinople, appreciated his outstanding ability.⁷ Herbert Henry Asquith has expressed the opinion that had Baron von Marschall lived, the World War would never have been fought.

II

The German foreign office was left in a dilemma by the death of Baron von Marschall. The international situation was delicate, not to say dangerous, and a man must be chosen who could inspire the confidence and esteem of the English government. At the same time, the domestic situation in Berlin made it imperative to get a man who had the support of the chancellor without incurring the opposition of the redoubtable von Tirpitz. Herr von Kiderlen-Wächter, the minister for foreign affairs, was considered, but his services were needed at home. Furthermore, he was like Metternich, a bachelor, and the kaiser was anxious to revive social life at the German embassy in London, which had almost disappeared under Count Metternich.

Thimme, eds., *Die Grosse Politik der Europäischen Kabinette, 1871-1914* (40 v., Berlin, 1927 ff., hereafter quoted as G. P.), XXXI, ch. 243.

⁷ Grey, *Twenty-Five Years*, I, 236-237.

Several other candidates were also considered but for various reasons were rejected. Finally, Bethmann-Hollweg decided to recall from retirement Prince Karl Max Lichnowsky, who had left the Wilhelmstrasse in 1904 with the rank of minister.

The selection of Prince Lichnowsky as German ambassador to England in 1912 is of considerable importance. Years later it was claimed that a stronger man, or at least a figure who had the confidence of the foreign office, might have prevented the outbreak of war. Lichnowsky himself did not know why he was chosen for the important London post. He wrote somewhat sarcastically that his appointment could not have been on account of his abilities, since the foreign office had not availed itself of these qualities. "Was it perhaps on account of my incompetence?" he asks. "Quite unlikely," he answers, "for if that had been the case they would have thought of me sooner." Neither was he a close friend of the kaiser nor of the chancellor, Bethmann-Hollweg, yet the latter suddenly visited him on his Silesian estates and asked him to accept the position of German ambassador to England.*

Prince Lichnowsky's own query does not explain his appointment. There was, to be sure, "no other candidate available at the moment," but there were other reasons for the choice. Politically, Prince Lichnowsky was well-known and regarded by some as the ablest statesman in Germany. He had entered the foreign office under Bismarck in 1885, and before he retired from the Wilhelmstrasse in 1904 he had become an expert on English affairs. His great admiration and strong predilection for the English way of life—the instinct for political democracy, the fine sense for combining order and freedom—was well-known on both sides of the Channel, and in view of Germany's desire for a *rapprochement* with Great Britain this reputation would be useful in London. Lichnowsky's strong social assets—his great wealth, his beautiful and talented wife, his charming *grand seigneur* personality—were perhaps of even greater importance. Dr. Richard von Kühlmann, who had been both Metternich's and Marschall's counselor of

* Prince Karl Max Lichnowsky, *Heading for the Abyss* (New York, 1928), 1-3. Bethmann-Hollweg brought with him to Silesia a letter of appointment from the kaiser. It was a carelessly scrawled, hastily written document, full of arrogance and hatred for England, which suggests that the decision was made suddenly, and perhaps, under the influence of Lichnowsky's recent article entitled "Deutsch-Englische Missverständnisse," in *Nord und Süd*, CXLII, July, 1912, pp. 1-19.

embassy, thought that the kaiser's wish to shine socially in London was the main reason for Lichnowsky's appointment.⁹

However mixed the motives may have been for choosing Prince Lichnowsky for the London post, it can only be regarded as an unfortunate decision. He has every qualification for the position, except the support of that inner clique of wire-pulling politicians who really dominated the German foreign office and made it one of the most unpredictable and least trustworthy of the European chancelleries. Lichnowsky's best work was vitiated by his personal opponents in Berlin. The political director of the foreign office, Wilhelm von Stumm, who coveted the London post himself, worked continuously to undermine Lichnowsky's influence at home and to make his London task more difficult.¹⁰ Essential information, such as the Grey-Cambon correspondence, was withheld from Lichnowsky; private individuals, and possibly spies, sent reports to the German government that conflicted with the frank and direct reports forwarded by the German ambassador; and his friendly cooperation with Sir Edward Grey was criticized and misinterpreted.

When Prince Lichnowsky arrived in London on November 13, 1912, the excitement over Morocco had subsided, as an agreement with France had been reached. The agitation caused by the passage of the new German Naval Law and by the partial failure of the Haldane mission had begun to abate. But competent observers everywhere were not deceived by this apparent tranquility. It was, as it were, the stillness before the storm.

Realizing that Anglo-German rivalry was an important cause of international danger, leading men in both countries were anxious to settle their outstanding differences and thereby relieve the tension. Bethmann-Hollweg had worked in that direction since he became chancellor.¹¹ His foreign minister, Kiderlen-Wächter, who had little use for Bethmann-Hollweg and even less for Lichnowsky, also claimed to be a proponent of Anglo-German friendship. In England, Sir Edward Grey, Lord Haldane, Mr. Asquith, the prime minister, and several other ministers in the Liberal Cabinet shared similar views.

The attitude of Sir Edward Grey was of fundamental significance

⁹ Kühlmann, in a personal interview with the author, in San Francisco, California, November 21, 1933.

¹⁰ Lichnowsky, *Heading for the Abyss*, 61-63.

¹¹ Gooch, *Before the War*, II, 203-286; Th. v. Bethmann-Hollweg, *Betrachtungen zum Weltkrieg* (2 v., Berlin, 1919-1920.), I, 8 ff.

throughout the London mission of Prince Lichnowsky. For the most part Grey continued the foreign policy of his predecessor, Lord Lansdowne, namely: friendship with the United States, the alliance with Japan, the *entente cordiale* with France, and improved relations with Russia, which the Anglo-Russian Convention of 1907 had begun. Grey also wished to settle all outstanding differences with Germany, but without weakening England's friendly relations with France and Russia. Although not exactly favorable to Germany, he was not hostile; he had no desire to isolate her, being quite willing to draw up regional agreements in regard to colonies and economic concessions. In Lichnowsky's opinion, these agreements would have led, in time, to an understanding on the dangerous naval question, and thereby ensured the peace of the world.¹²

III

The Balkans were in flames when Prince Lichnowsky arrived in London, and his first important task was to help to keep the flames from spreading over Europe. The problem was not easy. In a narrow sense it involved only a group of small states fighting for independence from Turkey. In a larger sense the Balkan Powers were merely pawns in the more dangerous game of European diplomacy, which involved the interests and ambitions of all the Great Powers. That these wars remained isolated in the cockpit of Europe was primarily due to the friendly co-operation of Germany and England.

Neither Great Britain nor Germany wanted to be drawn into a war over the Balkans. Sir Edward Grey, therefore, called an informal conference of ambassadors in London which was to keep in close touch with international developments and to settle by negotiation, if possible, all questions affecting the Great Powers. England took the position that none of her vital interests were at stake, and throughout the eight months of the conference Sir Edward Grey, the chairman, did his best to smooth over difficulties and to play the role of "honest broker." The German representative at the conference, Prince Lichnowsky, was instructed from Berlin to support his Austrian colleague, Count Mensdorff. The German emperor had warned Austria to be moderate. "I think," he said, "that you are rattling my sabre a little too loudly." Nevertheless, the German foreign office felt that at least outwardly the members of the Triple Alliance should act in unison. But Lichnowsky, who was severely critical of Austrian policies, gave only half-hearted

¹² Lichnowsky *Heading for the Abyss*, 50-51.

support to the wishes of the Wilhelmstrasse. His attitude eventually led to complaints being lodged against him in Berlin, and Kiderlen-Wächter severely reprimanded Lichnowsky for his "Austroprobia."¹³ The Italian representative, Marquis Imperiali, reflected a cautious and vacillating attitude. On the side of the Entente, the French and Russian ambassadors worked closely together, with Sir Edward Grey generally supporting their point of view. However, regarded as a whole, the spirit of compromise prevailed among all the members of the conference of ambassadors.

Perhaps the most salutary result of the London Conference was that the common struggle to preserve the peace of Europe had created something like an Anglo-German entente. During the long crisis of over eight months it was the close and friendly collaboration of Grey and Lichnowsky that reduced the friction and cooled the feelings between the two camps. Serious obstacles were repeatedly overcome and a solution obtained by a judicious suggestion from Grey and the moderating influence of the German ambassador.

IV

The marked improvement of Anglo-German relations established during the course of the London Conference of Ambassadors was particularly evident in Sir Edward Grey's attitude toward the Portuguese Colonial Treaty and the Baghdad Railway Treaty. Both of these questions had been the subjects of diplomatic negotiations for years. No satisfactory conclusions, however, had ever been reached, and they remained sources of friction between the two governments.

When Prince Lichnowsky arrived in London negotiations regarding a Portuguese colonial settlement were going on between the British colonial secretary, Mr. Harcourt, and the German *charge d'affaires*, Dr. von Kühlmann. Lichnowsky had been instructed to bring the matter to a conclusion, and he tackled the question almost immediately. Sir Arthur Nicolson wrote that only three days after the German ambassador had presented his letters, he had induced Grey and Harcourt to draft a project dividing the Portuguese colonies between them.¹⁴

The Anglo-German colonial project was not completed, however, until the end of Lichnowsky's mission, and it never received the final signatures. Negotiations were primarily confined to revising the Anglo-

¹³ G. P., XXXIV.1, No. 12, 348, p. 56.

¹⁴ H. Nicolson, *Sir Arthur Nicolson, Bart., First Lord Carnock* (London, 1930), 393.

German colonial agreement of 1898. This treaty, which had been made reluctantly by the Salisbury government under German pressure, provided for dividing the Portuguese colonies into economic spheres of influence between the two Powers, who owned territories contiguous to Angola and Mozambique. The purpose of the agreement was ostensibly to safeguard the integrity and independence of the Portuguese empire, Germany and England declaring that they only intended to give Portugal financial and economic assistance. The real purpose of the agreement, however, was to divide the Portuguese colonies between themselves. Portugal was on the verge of bankruptcy, and it was understood, at least by Germany, that British and German bankers would force Portugal to mortgage her colonies. Since no one expected Portugal to be able to repay her loans, her mortgaged territories would automatically fall into British and German hands.

By 1912 the agreement of 1898 was no longer satisfactory. Germany was particularly dissatisfied because the contingency by which these colonies were to be taken over had been avoided. Instead of pushing the Portuguese government gently into bankruptcy, the British government had contravened the spirit of her agreement as Germany understood it by drawing up the so-called Windsor Treaty of 1899 with Portugal. This treaty confirmed old agreements of the fifteenth and seventeenth centuries which guaranteed Portuguese territorial integrity. When the German foreign office got wind of this treaty, they considered it quite unfairly as a double policy and further proof of the duplicity of "Perfidious Albion." The British government, jealous of their honor, candidly pointed out that the actual text of the Treaty of 1899 did not contravene the agreement of 1898.¹⁵

Prince Lichnowsky, who accepted the British explanation without reservations, succeeded in drawing up a new agreement fully in accord with German interests. The whole of Angola up to the twentieth degree longitude and the northern part of Mozambique were assigned to Germany for economic exploitation. But more important, the treaty was so worded that the real, though unexpressed, intention of the treaty—the actual partition of the Portuguese colonies—could easily be carried out. Cases were specifically provided by which either signatory Power could take steps to safeguard her "vital" interests, which meant it was only a matter of time before Portugal would be relieved of her colonial burden.

¹⁵ Lichnowsky, *Heading for the Abyss*, 58-62.

The Anglo-German colonial agreement was initiated by Sir Edward Grey and Lichnowsky on August 8, 1913. It was never signed. Primarily out of consideration for Portugal, the British government was willing to sign only if the new agreement, together with the treaties of 1898 and 1899, was published. The German government objected to the publication of the treaties, fearing that the guarantee of Portuguese territory would be held in Germany as vitiating the agreement. Lichnowsky did his best to get Berlin to ratify the agreement, but he had already lost influence at home, and his arguments were overruled. The Wilhelmstrasse could not understand why Sir Edward Grey wanted to publish these treaties. Grey's own explanation—that England had no other secret treaties besides these, and that it was contrary to established principles to keep binding agreements secret—was not considered seriously. Lichnowsky asserted that his enemy, Wilhelm von Stumm, the powerful political director of the German foreign office, was primarily responsible for obstructing the publication, since it would have been a triumph for the ambassador.¹⁰ Prince Lichnowsky pointed out time and again that the treaty had tremendous advantages for Germany and that she had everything to gain and nothing to lose. Germany's contention that publication of the treaties would endanger her interests in the colonies was without any sound foundation.

V

Simultaneously with the colonial negotiations, Prince Lichnowsky was working out an agreement with the British government regarding the Berlin-Baghdad Railway. Here, too, Sir Edward showed the German ambassador every consideration and good will. The real object of this treaty was to divide up Asia Minor into spheres of influence, although this term was cautiously avoided. Perhaps the most important concession made by the British government was to permit the continuation of the railroad as far as Basra. Up to that time Baghdad had been the railroad terminal. By the treaty the whole of Mesopotamia as far as Basra was included in the German sphere of influence, as well as the whole district of the Baghdad and Anatolian railway. The coast of the Persian Gulf was considered as a British economic sphere, Syria as the French, and Armenia as the Russian.

The improvement of Anglo-German relations as indicated by the close cooperation between Grey and Lichnowsky during the Ambassa-

¹⁰ *Ibid.*, 61; also see G.P., XXXVII.1, 14,748, pp. 188-190.

dor's Conference, by the Colonial agreement, and by the Baghdad Railway treaty were the major achievements of the Lichnowsky mission. Although these treaties were never signed, Prince Lichnowsky's persistence finally won over his opponents in Berlin. On July 30, 1914, when the whole world was already trembling over the abyss of war, the authority to conclude the agreements arrived in London. Lichnowsky called on Grey to carry out his instructions. But it was too late. "We," said Sir Edward, "must now await the end of the present crisis."

VI

On the delicate naval question, the Lichnowsky mission had virtually no effect. For the most part the German ambassador avoided the subject. "No reference to it ever passed between Sir Edward Grey and me," he wrote in *My Mission to London*. Before his appointment to the London post, Prince Lichnowsky had written an article favoring a large fleet as well as a *rapprochement* with England. Dr. Friederich Thimme, one of the editors of *Die Grosse Politik*, has argued that this article had found favor with the German Emperor, who had therefore appointed Lichnowsky to the Court of St. James. However that may be, after his arrival in London, Prince Lichnowsky took the point of view that an Anglo-German *entente* would be possible notwithstanding the fleet, provided German policy was pacific and no new navy bills were introduced.

Prince Lichnowsky did not blind himself, however, to the tremendous importance of the naval question. To avoid a problem is not to solve it. Neither words nor silence could hide the fact that the creation of a powerful German fleet was a challenge and a menace to England. Lichnowsky knew that supremacy at sea was a matter of life and death to the British people, a supremacy which had to be maintained at all cost. The German government might claim that its navy was not a threat to England; but in view of Great Britain's international position and the necessity of keeping her supply lines open to feed her people, no British government could possibly survive that became dependent upon the very questionable good will of a rival power. Furthermore, as Germany was already the preponderant military power on the continent, her policy of building up a great fleet as well would upset the balance of power in Europe.

The German ambassador was unable to avoid the question of naval armaments completely. Every rivet that Tirpitz drove into his ships of

war united British public opinion against Germany.¹⁷ Winston Spencer Churchill, the first lord of the admiralty, saw the danger and tried to avert the catastrophe by meeting the situation squarely. On March 26, 1913, in a speech in the House of Commons, Churchill made his famous "Naval Holiday" proposal: a year's pause in the construction of naval armaments, which he believed would be of benefit to all concerned. He frequently spoke to Lichnowsky about the matter, but the latter pointed out that for technical reasons the Holiday would be difficult to arrange. The German ambassador did not at first take the proposal seriously; he considered it merely a sop for Churchill's radical opponents.¹⁸

When Churchill repeated his arguments, however, emphasizing the pure madness of the armament race and how much better the money could be spent on constructive projects, Lichnowsky finally became convinced of the first lord's absolute sincerity.¹⁹ The German government did not consider the proposal practical, and Tirpitz, who believed that his pet naval program was being jeopardized, did his best to sow suspicion in the kaiser's mind regarding the intent of the "Naval Holiday."²⁰

Prince Lichnowsky, realizing that there was little chance of the proposal being accepted by his government, succeeded in getting the question removed from the agenda. In his opinion, as well as that of the German chancellor, it might arouse antagonism between the two nations, if Churchill's suggestion were ever brought up officially and rejected by the kaiser, Tirpitz, and others who favored a big fleet. On the one hand, Bethmann-Hollweg could only follow a negative naval policy, preventing new naval increases, and on the other, a positive program on colonial and economic questions, building up an Anglo-German *entente*. Therefore, when Grey, who had not been associated with the "Naval Holiday" proposition, finally asked the German government on February 6, 1914, how an official proposal would be welcomed, the German government discouraged it. Thus came to an end the last chance before the outbreak of war to find a solution to the bitter Anglo-German naval rivalry.²¹

¹⁷ Winston S. Churchill, *The World Crisis, 1911-1914* (4 v. London, 1923), I, 115.

¹⁸ G.P., XXXIX, No. 15,569, pp. 28-29.

¹⁹ Lichnowsky, *Heading for the Abyss*, 64.

²⁰ G.P., XXXIX, No. 15,573, pp. 39-45.

²¹ G.P. XXXIX, No. 15,589, pp. 74-76; *Ibid.*, No. 15,592, p. 76.

VII

The London mission of Prince Lichnowsky was a failure. On August 4, 1914, the British government sent an ultimatum to the German government requiring a satisfactory answer by midnight about the neutrality of Belgium. No answer came. Germany and England were at war. Under more favorable circumstances, and with only a little more time, it is probable that a *rapprochement* and political understanding between the two countries would have ushered in a better era in international relations. Notwithstanding their naval rivalry, their commercial jealousy, and their psychological differences, Germany and England had manifested an amicable relationship during Lichnowsky's mission. But the roots of their understanding were too shallow to avert the destructive war that swept over Europe in the summer of 1914.

Industrialization of the Southwest

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The outstanding economic problem of the Southwest is to increase the productivity of its labor force. An appreciable part of our labor force is not effectively employed. Inefficiency in the allocation of resources is indicated by the extraordinarily low level of income of the people of the Southwest. The per capita income in the Southwest is only two-thirds of the National average. The large proportion of the population that is engaged in agriculture and the shockingly low level of income in Southern agriculture are responsible for the low average per capita income in the Southwest. Agricultural workers constitute 34 per cent of all workers in the Southwest and the farm population of the Southwest has a per capita income of only \$161 compared with an average per capita income of \$541¹ in the United States. Farm income in the Southwest is materially below the relatively low average farm income of the United States. The low level of farm income is the result of an unwise allocation of an excessively large amount of our labor force to agriculture. We have too many farmers in proportion to people in other occupations and when a surplus of anything exists, whether it be cotton or farmers, the price tends to be low. Only a small part of the unfavorable farm wage differential is offset by a lower cost of living on farms.

One of the reasons for the existence of a surplus farm population has been the continued decline in the total demand for farm products during the last 20 years. The slowing down in the rate of growth of our population has exercised a retarding influence on the domestic demand for food and clothing. Many of our foreign markets have been destroyed by our high tariff policies. Our high tariffs which curtail our purchases of foreign goods prevent foreign nations from securing the purchasing power to buy our goods. The past policy of this Nation has been to prevent our people from trading goods of little value to us for foreign goods of much greater value. Instead of allowing our people

¹ Income figures are for the year of 1939 and from the U. S. Dept. of Commerce.

to receive valuable foreign goods in exchange for our cotton and other products, the Republicans insisted that we take worthless foreign bonds and the New Dealers that we take almost equally worthless gold. Our policy has been to keep the consumers of the United States from enjoying the benefits of foreign goods at all costs. Both policies were based on the erroneous assumption that money wages were more important than the amount of goods that could be bought with money wages. We have never had enough goods but the prices and costs of producing many manufactured goods and services have been so high that expansion in employment opportunities in non-farm jobs has been dangerously curtailed.

An American-British-Chinese-Russian victory would probably result in our regaining some of the lost foreign markets for our farm products although lower post-war tariffs might result in our South American neighbors offering more competition in some of our farm markets. Farmers in the United States and especially cotton farmers of the South would realize a net gain from lower tariffs at the end of the war. We will gain as consumers in the form of lower prices for goods we buy and the purpose of all production is to increase our ability to consume. The greatest gain from increased post-war foreign trade would result from the fact that such gain will increase non-farm employment opportunities and thus facilitate a transfer of workers from agriculture to non-farm jobs. Future demand for farm products is not likely to furnish economic justification for the employment of all of the present farm population in agriculture.

On the supply side, technological developments and mechanization in recent years have contributed to the material increase in the net output of farms and thus decreased the need for a large farm population. Mechanization has greatly increased the net output of farms, especially by decreasing the consumption of farm products by livestock.

We may be able to increase farm income relative to non-farm income by providing greater equality of educational opportunity, reducing the cost of farm products by soil conservation practices and further mechanization, lowering transportation costs, and by reducing tariffs. Even though we take all these steps to improve farm conditions, there will still be too many farmers. We do not have too many people, but we do need to shift workers from the production of goods with low marginal utility such as cotton to the production of goods with high marginal utility.

There should be a shift of several million farm workers to urban jobs and a large number of these should come from Southern farms. The number of farms in the Southwest would have to be reduced from about 970,000 to approximately 550,000 in order to bring about the same balance between farm and non-farm population in the Southwest that exists in the United States. However, it would not be necessary to reduce the farm population by such a large amount in order to eliminate some of the differences between per capita incomes in the Southwest and the United States. A large transfer of farm workers to urban jobs would tend to increase the income of the remaining farmers.

Some economists may claim that pre-war urban unemployment precludes the transfer of agricultural workers to urban jobs. However, possibilities of additional employment opportunities in urban jobs are not dead but merely dormant. Lack of urban employment opportunities is the product of high costs and high prices of urban goods and services which prevent the satisfaction of consumer demand. Possibly excessive zeal to reform the world overnight and taxation policies which have destroyed some of the incentive to take necessary risks inherent in new and expanding industries have also tended to reduce employment opportunities materially. We can remove these obstructions to an expanding demand for labor in industries where marginal utility is high.

Monopoly conditions existing in industry and labor, lack of educational opportunities in rural regions in particular, economic inertia of investment bankers and capitalists, and excessive transportation costs are the most important factors obstructing the transfer of workers from agriculture to industry. Failure to eliminate these obstructions in past years now stands in the way of the economic union of the Americas. If we had the proper balance between manufacturing and agriculture we could absorb more of the agricultural surpluses of South America and thus provide a stable economic foundation for a united front against the dictatorships that live for conquest.

The elimination of monopoly conditions in industry and labor would result in lower prices to consumers for many products. This would result in an increase in the quantity sold and in an increase in urban employment. Under monopoly conditions it is a common practice to withhold from consumers part or all of the savings resulting from new inventions and technological advancements. Part of the savings is given to management in the form of excessive monopoly profits and part is given to members of labor unions in the form of excessive monopoly

wage rates per hour. The higher selling prices resulting from such practices restrict the sale and production of goods and thus reduce desirable employment opportunities.

It is difficult to eliminate the strongly entrenched monopoly forces. It is human nature to want something for nothing. This weakness of human nature explains gambling activities, Townsend Plans, the huge pre-war National debt, 30 hour work-weeks, and monopoly prices. Legal attempts to eliminate monopolies meet with the difficulty that the courts do not know what is evidence of the existence of a monopoly. Our anti-trust laws should be amended by Congress to include a statement of conditions which the courts shall consider presumptive evidence of the existence of monopoly conditions. Failure to reduce prices as sales and variable unit costs declined might be set up as one of the tests of the existence of a monopoly.

The development of manufacturing in the Southwest is retarded by an inadequate educational system. The average educational expenditure per enrolled child in the Southwest is only about one-half of the average of the United States. College attendance of those of college age in the Southwest is about one-third less than in the United States. Lack of financial support for our public schools has resulted in lower efficiency among teachers and administrators. There is a shortage of labor, skilled labor, in the United States during the present National emergency. The Southwest has a surplus of labor but it is not skilled and is therefore not usable until trained. Lack of financial support for our colleges has resulted in a shortage of skilled business managers. Inefficiency in administration and teaching in our colleges, developing out of lack of financial support, has resulted in college training that fails to educate our young people along the lines necessary to develop new enterprises in the Southwest. The colleges tend to train their students only for routine jobs in big business concerns. Our college graduates do not become independent enterprisers because they are afraid. They fear the unknown. They lack knowledge of the problems and opportunities of their heritage in the Southwest.

The Southwest is too poor to provide equality of educational opportunity. As long as we fail to provide educational opportunity, we will remain poor. Federal aid is necessary if equality of educational opportunity is to prevail in the Southwest and the United States.

Economic inertia is a powerful force preventing the expansion of manufacturing in the Southwest by outside capital. Uncertainties due

to lack of knowledge of more distant regions, friendships closer home, and indirect possibilities of personal profits often intervene to prevent the managers of corporations in the North and East from establishing new factories in the Southwest, even though economic considerations favor such a course. These factors also partly account for the fact that the Southwest has received only 6 per cent of National defense contracts although it has 10 per cent of the population of the United States. It may also explain the proposal to centralize still further economic power in the North and East by the expenditure of millions of dollars for the St. Lawrence power and navigation project.

Lack of capital in the Southwest causes interest rates to be materially above the National average. Commercial banks in the Southwest charge about 3.38 per cent interest in the larger cities compared with only 2.56 per cent in the larger cities in the North and East. These figures indicate that manufacturing concerns in the Southwest may have to pay 32 per cent more for part of their capital than Northern and Eastern firms. The Federal Reserve Bank of Dallas charges as much as 50 per cent more than the Federal Reserve Bank of New York for longer term advances to business firms, according to recent information.

Inertia among the investment bankers is one factor accounting for the higher cost of capital. Another factor may be the operations of insurance companies. It is claimed, by some, that insurance company operations cause a net outflow of investment funds from some sections of the Southwest. Texas, recognizing the possibilities of unjustifiable discrimination by Eastern financial institutions, has established legal restrictions on the out-flow of savings to out-of-state insurance companies. Texas is also developing more rapidly industrially than some of the other Southwestern states.

Freight rates which average about 75 per cent more on outgoing finished goods between the Southwest and Northern and Eastern points on a mileage basis are an important factor restricting the expansion of manufacturing concerns in the Southwest. Raw materials move out at relatively favorable rates possibly due to the efforts of Northern and Eastern interests to prevent the development of competing industries in the South. However, even in the case of raw materials, prices of some products are materially lower in the Southwest than in other sections due to the costs of transportation.

Lack of research facilities places the typically small business concern of the Southwest at a serious disadvantage in the race for survival with

their larger competitors from other sections of the United States. The large corporations are able to maintain efficient departments since their large production enables them to reduce the per unit cost of research to a very low figure. The most efficient method of providing research facilities for small business concerns is by means of state supported bureaus of business research under the supervision of the technical staff of the college of business administration of the chief college of the state. Pennsylvania spends \$60,000 per year for the support of her bureau of business research, Ohio, \$70,000, and many other states large amounts. Texas is the only Southwestern state that gives any appreciable support to a bureau of business research.

The elimination of the inequitable difficulties in the way of the development of manufacturing in the Southwest which are discussed above would result in the creation of a great industrial empire in the Southwest, for the Southwest has natural advantages that favor the development of manufacturing. The Southwest has 10 per cent of the population of the Nation but produces only a fraction of the goods consumed by these people. The following figures, which are incomplete, give some indication of the long list of goods that are consumed in the Southwest but produced elsewhere.

NET BALANCE OF INBOUND RAILROAD FREIGHT
INTO THE SOUTHWEST IN TONS—1939

Iron & steel	334,647	Furniture (excl. metal)	25,053
Autos	228,107	Soap & washing compounds	24,374
Iron & steel pipes & fittings	163,669	Printing, paper	24,251
Canned food products	107,563	Auto & auto truck tires	23,289
Paper bags & wrapping paper	76,935	Building paper	21,547
Newsprint paper	69,471	Lime, common	19,942
Machinery & boilers	55,721	Paints, oils, & varnishes	14,496
Scrap iron & scrap steel	50,524	Cotton goods	13,581
Beverages	49,996	Rails, fastenings & switches	7,138
Iron & steel nails, wire	46,249	Ice	7,060
Brick (excl. common)	39,899	Bagging & bags	5,837
Vegetable oils	39,848	Brick, common	5,090
Agri. implements & parts	39,492	Furniture, metal	3,995
Bldg. woodwork (mill work)	33,738	Linseed oil	3,939
Tractors & Parts	33,523	Copper, ingot	2,218
Copper	33,078	Railway car wheels, axles	1,735
Tobacco Mfg. prod.	29,546	Vehicles	1,672
Glass bottles & jars	25,238	Explosives	261
Pasteboard & pulpboard	25,151	Aluminum	102

The presentation of the foregoing table is not intended to make a case for local self-sufficiency in the Southwest. This list of some of the important goods that the Southwest buys from other sections of the United States is presented as one of the first steps necessary to determine which products can be produced, in a part at least, at a lower cost in the Southwest than in other sections of the United States. Industries catering to home demand are usually most successful in the early stages of the development of manufacturing in an agricultural region. The maximum National income can be secured only when each section of the United States specializes in the production of those goods in maximum demand which it is best fitted to produce. The expansion of manufacturing in the Southwest in those industries which have a natural advantage here would raise real incomes not only in the Southwestern states but also in most of the remaining states. Each section of the United States will have the most permanent prosperity when all other sections are prosperous. The existence of a large farm population in the Southwest with an income of less than \$300 per year is a drag on the prosperity of the United States. The establishment of the same ratio between the number of farm and non-farm jobs in the Southwest that exists in the United States by the transfer of 400,000 farm families to urban jobs at existing urban wages would result in an increase in income of \$700,000,000 or 40 per cent in the Southwest. A large increase in income of this nature would result in a great increase in the home market for our own goods.

Relatively low labor costs should result in the rapid development of manufacturing in the Southwest. Hourly wages in manufacturing in the Southwest are materially below the average of the United States. Hourly wages of the surplus farm workers are only about one-fourth of the hourly wages in manufacturing in the United States. The cost of training the surplus farm labor for factory work would be relatively small²

² The manager of the world's largest fluorescent lamp plant located at Jackson, Mississippi, makes the following statement about the adaptability of Southern labor to training for work in a manufacturing plant: "... in ... higher types of mechanical male labor ... we have found mechanics experienced in lathe work, and these men have been very adaptable to training for operating precision millers, grinders, etc., and are as readily adaptable in this class of work as any we have found in any part of the country ... We have not only had fine response from the number of young women available but those that we have already employed and are now working, have been found just as adaptable to this type of work as any we have, in our experience worked with in the northern states."

in comparison with the great increase in incomes^a that would result in their transfer to urban jobs. In addition the Southwest is comparatively free from labor troubles. Only two out of each 100 non-farm workers were involved in a strike in the Southwest during the last two years, compared with six per 100 non-farm workers in the United States. One explanation of labor peace in the Southwest is to be found in small number of people of foreign birth.

It will be urged that an hourly wage rate in the South below the National average is a form of labor exploitation. However, an hourly wage rate equal to the National average may result in even greater exploitation by retarding the transfer of Southern workers from agriculture to manufacturing. Workers in agriculture in the Southwest earn less than 20c per hour. The employment of these workers in factories at the higher wage of 35c an hour might result in more than a normal profit for some manufacturers. However, such a high rate of profit would tend to bring about a more rapid development of manufacturing, and more quickly eliminate the low level of income of the farm population.

Power costs are as low in the Southwest as elsewhere and judging by TVA rates the proposed AVA might result in rates in the Southwest appreciably below present levels, possibly 50 per cent lower.

The higher rate of profits that exists in many industries in the Southwest as compared with the same industries in the United States should lead to the rapid development of these industries in the Southwest. Income tax returns indicate that several industries are more profitable in the Southwest than in the United States.

RATE OF PROFIT AS A PERCENTAGE OF SALES

	SOUTHWEST	UNITED STATES
Paper & pulp products	15.48	6.78
Liquors & beverages	15.09	8.03
Metal & metal products	11.02	8.54
Forest products	7.36	3.52
Printing & publishing	6.94	6.03
Service, prof. hotel	5.42	.32
Textile mill products	3.35	2.14
Leather & mfg.	2.60	1.58
Clothing & apparel	1.03	.61

^a Farm workers make about \$260 per year compared with \$900 for workers in non-farm jobs, a difference of \$540 per year.

It is believed that the rate of profit on sales as calculated above understates the rate of return on investment in the Southwest as compared with the United States. Due to the low price of labor in the Southwest, it pays to spend relatively more on labor than on machinery. Consequently, the amount of sales relative to the amount of capital is higher in the Southwest than in the United States. A further factor which results in an understatement of the profitability of capital in the Southwest is the practice of small concerns of paying out a large proportion of their profits in salaries in order to reduce their income tax.

Total profits of corporations are being maintained at a more favorable level for industrial expansion in the Southwest than in the United States. A more rapid growth of profits will result in manufacturing expanding in the Southwest at a faster rate than in the rest of the United States.

The Southwest possesses many valuable raw materials that offer advantages in the development of manufacturing. Among the more important are petroleum, gas, coal, sulphur, salt, carbon black, bauxite, silica, phosphate rock, lime, lead, zinc, lumber, and farm products.

The chief manufacturing industries in the Southwest at the present time are as follows:

EMPLOYES IN MANUFACTURING 1937

Lumber	57,952	Printing	11,510
Petroleum	31,349	Machinery	9,821
Foundries, etc.....	14,333	Canning	6,649
Bread and bakery.....	12,277	Cotton textiles.....	6,357

Despite all the difficulties in the way of the development of manufacturing in the Southwest, significant expansion is occurring. Among the twenty-six industries for which comparable figures are available, seventeen had a more favorable record in the Southwest between 1929 and 1937* than in the United States and only nine had a poorer record. Industries making the most rapid growth were generally industries supplying local markets rather than out-of-state markets. Other industries with a rapid growth such as the paper industry and some branches of the chemical industry are not given separately in the Census figures on account of the possibility of identification due to the small number of firms involved.

* 1937 is taken because it is considered a more normal year than the year 1939.

PERCENTAGE CHANGE IN NUMBER OF WAGE EARNERS
1929 TO 1937

Industry	Southwest	U.S.	Industry	Southwest	U.S.
*Canned Fruits & Veg.	162	39	Mattresses & springs . . .	-2	12
*Butter	86	2	Petroleum refining	-3	3
*Morticians' goods	81	5	Baskets	-9	0
*Animal & Fowl feed	70	41	Printing & Pub. (news) . . .	-12	4
*Wood turned & shaped	53	23	*Planing mill products . . .	-13	-26
*Beverages	24	-1	Confectionery	-17	-15
*Foundries	21	-4	Food preparations	-18	58
*Bread & bakery	21	19	*Marble, etc.	-21	-45
*Cotton goods	21	-1	Lumber and timber	-25	-23
*Flour	19	-3	Fertilizer	-25	0
*Ice Cream	18	-17	Printing & pub. (books) . . .	-28	-7
*Drugs & medicine	14	-1	*Clay products	-30	-34
*Furniture	9	-22	*Ice	-41	-42

* Industries with a more favorable record in the Southwest.

There has been a rapid increase in the rate of industrial development in the Southwest as a result of the National defense program. It is estimated from figures of the OPM that the Southwest has received about 5.8 per cent of the new manufacturing facilities resulting from the defense program, although the Southwest produced only 3.4 per cent of the value added in manufacture in 1939. A breakdown of the more than \$500,000,000 in new manufacturing facilities in the Southwest resulting from the defense program reveals that the chemical industry leads in amount of plant expansion with a total of about \$160,000,000, followed closely by munition facilities of \$110,000,000 and nonferrous metals of \$100,000,000. The approximate amount of plant allocations in other industries follows; aircraft \$60,000,000, ships \$40,000,000, fuel \$20,000,000, and steel \$20,000,000. It is expected that the Southwest will receive a major portion of the new plant facilities amounting to about \$400,000,000 to manufacture artificial rubber. Additional facilities for the manufacture of aviation gasoline are certain and more ship-building facilities are probable.

Texas leads in the absolute amount of new plant facilities, as might be expected in view of its size, with an allotment of about \$170,000,000. Facilities for the production of magnesium rank first. Other important allotments to Texas include facilities for the production of ships, steel, artificial rubber, planes, tin, and explosives from petroleum. Arkansas ranks next to Texas with new plants costing about \$150,-

000,000. Munitions and aluminum facilities constitute the major items. Louisiana and Oklahoma each have allotments for new manufacturing plants amounting to about \$100,000,000. Louisiana has a diversified list of new plants including facilities for making ships, petroleum-rubber, and many chemical products. Facilities to produce powder constitute the major part of Oklahoma's share of the new defense plants.

It is impossible at the present time to determine the extent to which these war-time facilities can be converted to permanent peace-time use. However, it seems certain that war-time industrialization will greatly increase the tempo of post-war industrial development in the Southwest, particularly in the chemical industry and in the field of the lighter metals. The great expansion in the production of magnesium and aluminum during the war period will result in price-relationships favorable to a wide extension of their uses in peace times. Undoubtedly some of the artificial rubber facilities will find peace-time uses, although lower prices for natural rubber may restrict the use of artificial rubber in tires. The fertilizer and paper industries will receive further stimulation from the war-time developments in the chemical industry. Even war-time plants which have no uses in peace-time will have contributed to the peace-time rate of industrial development in the Southwest. Lack of skilled workers has stood in the way of a more rapid development of manufacturing in the past. We will probably have a larger force of skilled workers as the result of the operation of war plants.

A preliminary examination of available data indicates that the chemical industry based on petroleum as a raw material offers one of the most inviting opportunities for expansion in the Southwest. The possibilities in this field are only becoming known. We now make explosives, glycerine, rubber and many other products from petroleum. The development of petroleum rubber factories will hasten the present movement of tire factories to the South. Higher profits in the textile field in the Southwest indicate further expansion in textile manufacturing facilities. Special efforts should be made to interest the DuPonts in establishing nylon and rayon factories in the Southwest. These are the fastest growing branches of the textile industry. The standardization of product would make for a rapid expansion of the canning industry. Other industries which offer prospects for expansion are: (1) furniture, (2) glass, (3) apparel, (4) food, (5) woodworking plants, (6) quick freezing plants, (7) fluorescent light bulbs, (8) tin can plants, and (9) airplane assembly plants.

A Geographic Stumbling Block to New World Unity

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Many persons believe the political security and the economic well-being of the Western Hemisphere lie in the unity of the nations of the New World. It has been asserted frequently that the triumph of totalitarianism in Europe would give that part of the world a bargaining power which would enable it to dictate terms and prices for commodities the New World nations may have for sale. To cope with this potential bloc of nations in Europe, it has been suggested that a bloc of similar power and unity may be organized in the Western Hemisphere. The nations in this economic union must be able to live independently of the Old World nations for years, content to trade only among themselves, otherwise their bargaining power would be ineffective. All of them, including the United States, must be willing to make genuine sacrifices.

Some have assumed that an economic bloc of New World nations would be as easy to establish as it may seem desirable to have. There are those who speak of the "good neighbor policy" as if the only trade barrier between the Latin American nations and the United States were a superficial misunderstanding. Others allege that were it not for the work of "fifth-columnists," a union of the Western Hemisphere would be effected with ease. Even a cursory study will show that the geographic relationship between Latin America, Europe, and North America are such that it would be difficult to establish a strong New World union. There is evidence that the present trade situation may serve as a stumbling block to this proposed economic union.

Most of the products of the fields, ranches, oil wells, and forests of Latin America must be disposed of in more highly industrialized areas which normally have a deficiency of such products. In times of peace, these goods have moved about as economics would dictate, and 72 per cent of the exports of Latin America were disposed of outside the Western Hemisphere in 1938. Most of these went to Great Britain, Germany, and to other countries of western Europe, with lesser amounts to Japan. If an economic bloc of Western Hemisphere nations were cre-

ated and if a closely knit Europe would refuse to purchase from that bloc on acceptable terms, economic stagnation would result in Latin America unless a considerable portion of this hypothetical surplus were absorbed by other countries of the Western Hemisphere.

The United States is the only important potential market in the Western Hemisphere for most of the raw materials exported from Latin America. This country took about 25 per cent of the total Latin American exports in 1938, and pressure may be exerted to have it take a still larger percentage at some later time if the formation of an economic bloc is attempted.

To show more definitely the points of difficulty in trading with Latin America, the 20 leading exports from those countries in 1938 were divided into three groups. In the first were placed those commodities of which more than 50 per cent were disposed of in the Western Hemisphere. The commodities were coffee, sugar, wheat, nuts and waxes, bananas, cacao, and fibers (chiefly henequin), and for all except wheat the United States was the only large importer in the Western Hemisphere. It is assumed that this group of commodities, with the exception of wheat, will present no special difficulty even in the event it should seem desirable to cease exports outside the Western Hemisphere for a time. The total exports and the varying percentages of each commodity disposed of in the Western Hemisphere are shown in the accompanying table. It may prove to be of significance that most of the commodities in the first group are produced in the Highlands of Brazil and northward.

Wheat presents a different aspect from the other commodities of this group. The United States and Canada normally sell large amounts of wheat to Europe, and competition for Western Hemisphere markets may develop between those two countries and Argentina if their European markets should be lost. The problem of the distribution of the meager Western Hemisphere wheat markets would loom large. But if both producer and consumer of the other commodities will make some concessions; we, taking a little more; they, selling a little less, the obstacles should not be formidable.

In the second group were placed those commodities most of the exports of which went to countries outside the Western Hemisphere but which could, it is believed, be purchased increasingly by this country. Here are placed wool, hides, tin, and minor metals.

EXPORTS FROM LATIN AMERICAN REPUBLICS
20 LEADING COMMODITIES, 1938*
(1,000's OF DOLLARS)

<i>Commodity</i>	<i>Total Exports</i>	<i>Amount Sold in Western Hemisphere</i>	<i>Per cent Sold in Western Hemisphere</i>
Coffee	233,501	133,533	57
Sugar	115,704	83,382	72
Wheat	61,438	33,051	54
Nuts, Waxes, etc.	37,739	19,647	52
Bananas	28,139	22,247	79
Cocoa	21,647	14,464	67
Fibers	9,069	5,640	62
Wool	92,187	7,140	8
Metals	73,066	30,781	42
Hides	62,539	14,941	24
Tin	24,793	401	2
Petroleum	317,361	49,999	16
Meats	124,137	5,748	5
Copper	106,659	36,860	35
Cotton	76,535	1,580	2
Linseed	59,572	15,348	26
Corn	59,299
Cereals	32,059	212	.6
Nitrates	31,748	12,571	40
Lumber	21,705	8,524	39

* Source: From data supplied by United States Bureau of Foreign and Domestic Commerce.

The United States has been importing something like \$40,000,000 worth of wool for the past few years and by no means all of it has come from Latin America. Our importation from that source was but \$7,000,000 in 1938. By diverting all of our orders for wool to Latin America a large percentage of their customary exports could be disposed of, and if they would absorb some loss that commodity would present no problem. Much the same situation exists with respect to hides, because the United States usually imports more hides and skins, from all sources, than Latin America exports.

The United States purchases nearly one-half of Latin America's exports of such metals as lead, zinc, tungsten, and antimony, and an in-

crease in purchases could be expected under the accelerated economy associated with increased armaments. It would take but a small increase in our imports of these metals to give Latin America a market for more than one-half of her minor metal exports.

The United States is the world's largest user of tin, yet it smelts essentially none of the ore, not even that which is produced in the Western Hemisphere. This country annually imports more tin than Bolivia produces and obviously would be a market for all of the tin produced in that country and in the rest of Latin America.

It looks as if the United States might be able to increase its imports of the commodities in this second group to such an extent that they would offer no obstacle to New World unity.

The third group consists of those important exports of Latin America of which the Western Hemisphere takes less than 50 per cent and for which there seems little prospect of substantial increase. They are shown grouped at the bottom of the table. (Petroleum, meat, copper, cotton, linseed, corn, cereals, nitrates, and lumber.)

Petroleum is easily the leading export of Latin America and it is produced principally in Venezuela, Colombia, and Mexico. In normal times about 85 per cent of this commodity is exported to Western Europe and Eastern Asia. It is obvious that the United States with its great production of petroleum cannot purchase very much from Latin America without injury to its own industry. Since petroleum constitutes nearly 90 per cent of the exports from Venezuela, and about 30 per cent of the exports of Columbia, the difficulties of maintaining tranquillity in the Latin American petroleum industry are apparent if occasion should arise for severing trade relations with old-world countries.

The United States has rather consistently refused to purchase any appreciable amount of meat from Latin America. The Southwest and the Middle West especially would feel the effects of the importation of meat which would decrease the market for their own product.

The situation with respect to copper trade is complex. While the United States purchases much copper from Latin America, this country has been a net exporter of copper for the past several years. Our importation of this commodity, principally in an unrefined form, is more than offset by our exportation of refined copper. If all trade in copper were to be severed between the Old World and the New, there would be a disturbing accumulation of copper in the New World. If the United States could not make its customary disposal of copper through

exports, it is doubtful that it could continue its copper imports from Latin America.

Continued effort of the United States to reduce acreages of corn and cotton make it seem highly improbable that this country could purchase either of these commodities in significant quantities from Latin America in the near future. We now have 11,000,000 bales of cotton in Government warehouses, as well as 438,000,000 bushels of corn, and our farms are operating on a restricted production basis. An apparent surplus also exists with respect to the minor cereals (oats, rye, and barley), and it is difficult to see how the United States could purchase any of these commodities in quantities sufficient to prevent rapid accumulation of them in Latin America if the European markets should be lost.

There seems to be little prospect for increased trade in any of the three remaining commodities (lumber, linseed, and nitrates), between the United States and Latin America. Essentially all of this country's imports of linseed already come from Western Hemisphere sources. The United States is a net exporter of lumber and the wood now imported from Latin America consists principally of special types, such as cabinet woods, balsa, etc. Our heavy planting of trees and reforestation associated with better land use is intended to make secure the lumber supply of this country for the future. If our forestry program proves successful, little increase in purchases of Latin American timber may be effected. And, finally, Chile is the only exporter of nitrates from Latin America. For reasons of military strategy and possibly for reasons of economy, there has not been recently as heavy a demand for Chilean nitrate as there was a few years ago. Since nitrogen can be extracted from the air so readily, it is doubtful that any country, including the United States, could afford to depend to any great degree upon a foreign country for a material as critical in war times as nitrates.

It is this last group of exports which furnishes the real stumbling block to New World unity. Only idle speculation and wishful thinking could lead one to believe that all Latin American countries will jump at the chance to form an economic union with us without first giving some consideration to the immediate financial consequences. Latin American goods must be sold. If the United States feels unable to buy, markets will be sought outside the Western Hemisphere.

If this barrier to New World unity is to be removed, the most logical approach would be to show a way out which would be financially at-

tractive; either create a market in this country for what they have to sell or else encourage them to produce things for which there is market.

A few constructive steps in that direction have been taken; *e. g.* the construction of a tin smelter in this country for the smelting of Bolivian tin; and the appropriation of \$500,000 by our government for investigating rubber production possibilities in Central America. This is only the beginning of what must be done on even a much larger scale if there is to be a voluntary economic union of New World Nations.

America Looks Beyond the War

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In Europe, and in fact throughout the world, an old order is dying. Its demise is marked and abetted by persecutions of whole peoples and by lightning wars, by the disintegration of old institutions and habits of thought, and by the spread of new values, totalitarian economics, and a new morality. The tidal forces at work have already left their imprint upon us. Long before the declaration of war on the Axis powers, the movement toward a highly controlled economy and the increasing tendency toward centralization in government—just two among a host of developments—were suggestive of the extent of the impact of *new* Old World conditions on our own form of life.

However much we may dislike the kind of world that has been springing up about us, it has become evident increasingly that a master plan is in the making. Today we realize that if America is to survive the present conflict successfully, we must not only prepare for the effective prosecution of the war but we must look beyond it and plan for the future. In the words of President Roosevelt, shortly after the declaration of war, "We are going to win the war, and we are going to win the peace that follows." And winning the peace means continuing and constructive social planning.

A cursory review of current *war plans*, however, would suggest the tremendous difficulties and large number of variables to be taken into consideration in mapping *post-war* plans.

In order to plan for the future, therefore, it has been necessary to establish certain working hypotheses. These may or may not be self-evident, but in the presentation of the following discussion it may seem worthwhile to list the more patent ones.

In our present thinking we have assumed that:

1. An unequivocal "allied" victory—no stalemate, no compromise—is basic to any thought of post-war planning;
2. Our domestic life is and will be interwoven incontrovertibly with the international future;
3. The capitalistic system, probably with a greater measure of control than has heretofore been exercised, will be the economy after the war is over.

Current post-war thinking and planning is being conditioned as much by present as by anticipated domestic dislocations. It is admitted generally that the unsolved problems that have been with us these past ten or more years will be with us to a greater degree after the war is over. For as a matter of fact, the cataclysm now upon us is due in large part to the failure of nations to resolve these problems in domestic as well as in international forms.

The war is not only accentuating old problems but is creating new ones. We have before us the continuing problems of conservation and effective utilization of natural resources—of land, of water, and of energy resources. Despite planned and unplanned efforts, individual and collective efforts, we still have with us the multifarious problems concerning human resources—of housing and public education, of employment and health, of welfare and recreation—just to name a few.

When the war is over, there will be in addition a complex and highly-gearred economy which will have to be demobilized. Defense industries will have to be adjusted to peace-time needs and peace-time production. Employment will have to be found for workers in defense industries, for youths entering the labor market, and for demobilized soldiers. Provision will have to be made to prevent cities which flourished in the sun of the defense effort from falling into decay. Something will have to be done to prevent uncontrolled labor migrations which may reach—or exceed—the rural migration of farmless families of a few years ago. Taxation and fiscal policies generally will have to be readjusted. Assistance in terms of men, money, and material will have to be furnished for the reconstruction of a prostrate Europe.

These and countless other social and economic problems of tomorrow call for direct action now if we are to avoid the chaos of 1920 and of the early 1930's. In those latter days, just as today, there was an urgent need to meet a critical situation. So we resorted to "made" work. Criticism naturally and inevitably followed. We may recall the choicer thrusts: "paper-shuffling," "leaf-raking," "shovel-leaning," and that greatest accession to popular English, "boondoggling." What the critics—and those on the sidelines too—failed to recognize was that something had to be done; it had to be done fast, and there were no guides, no precedents to go by.

Today we have some guides, plus the challenge of past mistakes and the stimulus of crisis to do something about these problems. In current post-war planning, moreover, we have the opportunity to take a for-

ward step toward establishing an improved economy and a healthier, more nearly secure society rather than merely to re-establish the pre-war order. In post-war planning today we have the challenge to rededicate ourselves to the highest ideals of American democracy, a democracy that says it will be commonly accepted that no one shall suffer needlessly from sickness and disability through want of medical care, and that our medical service shall be so organized and developed as to foster health, not merely battle disease. It will be commonly accepted that every child be afforded a full education; that every worker be assured employment with basic wages and hours under satisfactory working conditions; and that our land, our natural resources, and our human resources will not be wasted or used as pawns in the hands of political and industrial speculators.

What we must do now is to determine the possibilities, lay our plans, and proceed when peace comes—or before. Some effort, happily, is already being made in that direction. Many old-line governmental agencies have for years projected long-range programs. Some of these agencies and many others are concentrating specifically on post-war problems and are setting up plans to meet them. Among the more active agencies operating in this field are the following:

National Resources Planning Board. As part of its long-range program in resources, economic, and social planning, it is conducting special post-war studies. In addition to land, water, and energy resources, studies also include the scientific resources of the country. Economic studies include public works, employment, industrial location, transportation, and fiscal policy. In the social field they deal with relief and social security policy, education, recreation, youth, housing, and to a lesser degree, personal services.

While considerable attention is being given to meet health and nutrition problems during the war period, there is little or no long-range post-war planning being undertaken in these fields by the Board or other agencies.

Recognizing the tendency of many departments and governmental bureaus to regard particular problems and areas of activity as their special preserve, the N.R.P.B. has been seeking to counteract this tendency and to coordinate post-defense planning activities within government through inter-agency conferences. This is indeed a salutary objective, but in a number of cases the wish has been father to the thought.

The N.R.P.B. has been operating in another liaison capacity. In an effort to profit from current post-war planning in Britain, it has sent representatives to study conditions there and in other ways has kept in close touch with changing events abroad.

U. S. Department of Agriculture. The Inter-Bureau Coordinating Committee on Post-Defense Agricultural Programs, with representatives from the various Department bureaus, was established to operate in three broad fields: (1) long-term agricultural planning as it relates to the total national economy; (2) building a shelf of rural works, *i. e.*, forestry, flood control, soil conservation, which will, on one hand, provide useful work for people in rural areas and, on the other hand, improve rural life and productivity; (3) rural welfare—education, health, nutrition, and the other facilities and services needed by farm families.

U. S. Department of Commerce. Under the aegis of this department, studies are progressing on a number of problems, such as, the international financial position of the United States, our foreign trade and investment situation under varying post-war conditions, and the role that business can play in post-war period. The development of a private (business) works reserve, similar to the public works reserve, discussed later, is a potentially important activity of this Department's work.

Federal Reserve Board. One of the broader studies conducted by the F.R.B. deals with the combined effects of the defense program upon our economy and the probable changes in American foreign trade which may be expected as a result of the war. Several other post-war studies cover the following problem areas: (1) housing and urban redevelopment and rehabilitation; (2) Federal, State, and local fiscal relationships; (3) National and local taxation; (4) American, British, and Canadian relationships after the war is over; (5) manufacturing capacities in foreign countries and raw material supplies. Some of these studies are being conducted in cooperation with the Treasury Department and with other agencies.

Federal Security Agency. A Program Planning Committee, comprising various departmental representatives within the Agency, was set up in August 1941 to devote special attention to post-defense problems in the service fields (education and recreation, welfare and social security, health, and youth) of the component bureaus of the F.S.A. To date

only a few meetings have been held and no program of activity can be reported at this time.

U. S. Department of Labor. The Bureau of Labor Statistics has been cooperating with the N.R.P.B. in studying post-defense employment problems. In addition, a Post-Defense Labor Problems Division has been established to study trends in wartime dislocation of the American economy. It is hoped that from these studies will come: (1) a reasonable projection of the development of our future economy; and (2) attainable goals which we can reach after 15 years of peace. These extrapolations are being based upon studies of income patterns, population trends, technological changes in industry, and related data.

Treasury Department. Post-war studies carried on by this department primarily concern fiscal and debt policy, and taxation.

U. S. Department of State. Under the aegis of the State Department a group of officials representing various governmental agencies are, at present, discussing and accumulating information on many post-war problems. A Division of Special Research has been established to study future international relationships and problems and aims to lay a broad foundation for world reconstruction.

Economic Defense Board. In July 1941, this Board, chairmanned by the Vice-President and consisting of representatives of the various Cabinet posts, was set up by Executive Order to advise, coordinate, and integrate various defense activities; to investigate and advise the President on post-war economic reconstruction; and to review proposed or existing legislation relating to economic defense measures. In line with this latter aspect of its activities, the E.D.B. has been charged with the blacklisting of Axis concerns. In a sense, the E. D. B. may be considered the ministry of economic warfare.*

While at this writing there is little to report of this organization's activities, it may well be the single coordinating agency for all governmental post-war planning activities which, ironically, often appear to be working at cross-purposes rather than toward a common goal.

Public Work Reserve. Early in the summer of 1941 the P.W.R. was established by Presidential authorization to build a national "shelf" or reserve of works programs which *local* and *state* agencies feel are needed

* Since the submission of this article, the E. D. B. has changed its name to the Board of Economic Warfare.

and plan to undertake in the public interest. The organization was set up under the Federal Works Agency, receives technical supervision and counsel from the N.R.P.B., and funds from the W.P.A. The purpose of the Reserve is twofold: (1) to secure from all local and state governmental agencies a listing of anticipated public needs for capital improvements and public services over a five- or six-year period; (2) to assist these agencies in the development and maintenance of up-to-date programs and plans for such work.

The P.W.R. will embrace programs to develop resources, services and facilities. At the present time, through its field staff, it is seeking to determine the volume, nature, and distribution of this potential public work which, according to preliminary estimates, exceeds four billion dollars a year. Although plans for work programs are being accepted currently, no commitments are being made by the P.W.R. as to the source of funds, nor is there any obligation exacted from the agency proposing the work that it must undertake it at some future date.

This, very briefly, is the picture of post-war planning in Washington today. All told there are more than fifteen Federal agencies and scores of non-governmental organizations throughout the country—professional, civic, social, farm, labor, and industrial groups—which are devoting considerable attention to specific post-war problems which come within their purview.

The most pressing task facing governmental and non-governmental organizations concerned with this planning is to define, anticipate as far as possible, and document many post-war problems so as to reduce to a minimum the need for improvisation afterwards. Among other things, such a job calls for: (1) the setting of *attainable goals* within the present or anticipated framework of government and national economy; (2) establishing standards of work, physical facilities, and of services which are *not* based wholly upon present trends (since these represent problems which have never been adequately solved); (3) extrapolating beyond the suggestive limits of present trends or past crises without necessarily becoming Utopian; (4) interrelating and coordinating various capital improvement and public services programs, and interrelating and coordinating improvement *with* service programs.

Out of this welter of planning by agencies and individuals will undoubtedly come a little of the two extremes in planning—nothing and Utopias. The brave-new-worlders will blueprint another Shangri-La for us, a world of sixteen-lane coast-to-coast super-express highways, of

glass houses and capsuled food, which will be germless and povertyless, where planned cities and decentralized industry, scientific population control, farming, and forestration will be governed by a world federation which will have outlawed WAR, with a capital W, once and for all!

What will come out of our present planning efforts, however, will be a healthy compromise between the two extremes. Very likely we shall have expanded social services which will probably include health insurance in some form. Very likely we shall have a greater measure of economic control of private industry, without necessarily destroying that sacred cow of our fathers—individualism. Very likely we shall have a more effective and intelligent utilization of our natural resources. We shall take these and other forward steps.

This certainly does not measure up to the picture of a brave new world but, in reality, it is a revolutionary idea at a time when the world is committing hari-kari. The idea that plans are in the making to prevent the crises which have inevitably followed every war and to create a world that is a little healthier, just a little more secure than the world we have been living in, is the one shining light which will give every individual the strength and the courage to see this fight through to the end.

Putative Profits—Another “Empty Box”

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When Mr. J. H. Clapham in 1922¹ touched off a theoretical controversy, which still flares up on occasion, around a group of “empty economic boxes,” the business cycle did not come in for its fair share of attention. In his listing of these “boxes” Mr. Clapham neglected the strategic concept of current business cycle theory, the concept of putative profits. Like the economists who followed him in this famous controversy, and like contemporary cycle theorists, he seems to have overlooked or ignored the fact that the putative profits box offers only a Mother-Hubbard sort of hospitality to the theorists who come to it in need. This sin of omission is unfortunate because the emptiness of this box is unique both in its completeness and in its importance for business cycle theory. The problem of this box is that of the status and content of the putative profits concept in economic theory. Definition is not the main stumbling block. That is easily handled. Putative profits may be defined as those profits, of whatever nature, which business men think they can make. It is this concept in one form or another which has come to be a key block in all major business cycle theories of today. The questions to which our box contains no answer is simply this: What are these profits, and what does affect them?

Veblen seems to have been the first cycle theorist to give this concept a strategic position in his theory of trade movements.² Who fathered the concept, however, is not the concern of this paper and need not detain us. Suffice it to say that the device has never been far off the cycle theory scene since that time. It appears in Hawtrey in what is euphemistically called the sensitivity of the trader, and it is the axis around which this theory swirls. Its guises are many but its status and content remain the same.

Its most important recent appearance, however, is in *The General Theory of Employment, Interest, and Money*. Mr. Keynes confronts us

¹ “Of Empty Economic Boxes,” by J. H. Clapham in the *Economic Journal*, Vol. XXXII, pp. 305-314.

² *Theory of Business Enterprise*, 1904.

with a brilliant analysis of the problem of the business cycle which has been the storm center of many a recent theoretical battle. Through all this controversy one of his central concepts, "the schedule of the marginal efficiency of capital," has floated more or less undamaged, although, as we shall note in a moment, the specific effects of certain forces on the marginal efficiency of capital have been questioned. From the very beginning of the book one expects to find putative profits lurking behind this formidable phrase, "the schedule of the marginal efficiency of capital." Validation of this suspicion is not arduous, and perusal of Mr. Keynes' book turns up a perfect statement to this effect on page 315:

We have seen above that the marginal efficiency of capital (Keynes uses this term for the sake of brevity instead of the full-dress phrase, the schedule of the marginal efficiency of capital,) depends, not only on the existing abundance or scarcity of capital-goods and the current cost of production of capital-goods, but also on current expectations as to the future yield of capital-goods. In the case of durable assets it is, therefore, natural and reasonable that expectations of the future should play a dominant part in determining the scale on which new investment is deemed advisable. But, as we have seen, the basis for such expectations is very precarious. Being based on shifting and unreliable evidence, they are subject to sudden and violent changes.³

Certainly this is what we sought. These "current expectations as to future yield" are what Veblen called putative profits. Now it is true that these expectations are only a portion of the items going into the schedule of the marginal efficiency of capital, but the other items are known quantities such as "current cost of production of capital-goods," and so forth. Consequently such items do not affect the contention that "the schedule of the marginal efficiency of capital" is reducible to putative profits. It is the unknown for which an equation must be solved, and as long as the expectation items in the schedule of the marginal efficiency of capital remain obscure all our knowledge about the other items remains meaningless. Indeed, Mr. Keynes does not seem to be unaware of this. He clearly states that: "In the case of durable assets it is, therefore, natural and reasonable that expectations of the future should play a dominant part in determining the scale on which new investment is deemed advisable."

It is of further significance that Mr. Keynes refers to these expectations as "very precarious," "based on shifting and unreliable evidence,"

³ Parentheses are mine. M.J.L.

and "subject to sudden and violent changes." This is a very optimistic view of the situation. Precisely the problem posed by the putative profits concept is the fact that in light of our current scientific knowledge these expectations are completely precarious since they are based on such shifting and unreliable evidence as to approach randomness. Today we are prone to believe many of Mr. Keynes' statements as to what affects expectations and how these expectations are affected; but this is nothing but an evidence of our faith in Mr. Keynes, a personal tribute pure and simple. There is not a single comprehensive and accepted piece of scientific research into what does and what does not affect putative profits. Mr. Keynes has added several other empty boxes to the shelf, but none is so crucial to the validity of current cycle theory as is this one.

This puts us in a highly uncomfortable situation. For the most part contemporary cycle theorists are unwilling to abandon the putative profits concept. This is quite understandable. The economies to which the cycle theories are applied are still individualistic economies *de jure*, even if they are not so *de facto*. Decisions regarding the employment or non-employment, the operation or non-operation, of industry are still in the hands of individual business men or groups of business men, and as long as this is true any business cycle theory which ignores the outlook on the basis of which these men make decisions is invalid before it starts. Hence insofar as theorists deal with a business or capitalistic economy, the putative profits concept must be employed.

This leads us to the other horn of the dilemma. How can an unknown quantity like this be employed? From the standpoint of science one man's guess is as good as another's. Until a comprehensive and generally accepted program of research has been made on this topic, any cycle theory may be challenged at the point where putative profits puts in its appearance. By denying that a given force affects these expectations in the fashion claimed, one may spike the guns of any given cycle theory quite effectively.

This situation is not a far-fetched one. We have an excellent example of it in the current controversy with regard to fixed and flexible money wages as a remedial measure in depressions. Thus Mr. Keynes maintains that fixed money wages are preferable because if there are flexible money wages the results will be further deceleration of business activity due to several factors which he lists, all of which, he claims,

will react unfavorably on the outlook for profits.⁴ On the other hand we find Sumner Slichter in his book, *Towards Stability*, presenting the argument for flexible money wages. Professor Slichter starts from essentially the same assumptions as does Mr. Keynes but maintains that a cut in money wages will have a favorable effect on putative profits due to a widening of the differential between the costs of production and market price.

Now, who is correct? These views are diametrically opposed. Current sympathy seems to lie with Mr. Keynes; but on strictly scientific grounds there is no basis for choice between these two theories, and there cannot be until we are in possession of some scientifically valid piece of work as to whether flexible money wages do affect putative profits either in the way supposed by Mr. Keynes or in the way assumed by Professor Slichter. There is no proof of this kind in the book of either writer.

A similar situation arises in the case of a recent book by seven young Harvard and Tufts economists, *An Economic Program for American Democracy*. The most valid piece of criticism and, I believe, the only unanswerable attack levelled at this book has been that of the critics who granted its theoretical basis and the soundness of the facts it presents, and then queried whether the business men would, rightly or wrongly, be so alarmed by the policy advocated in this essay as to withdraw farther and farther into their economic shells, necessitating an ever increasing resort to the measures recommended until either the business men revolted, precipitating a civil war, or the American economy became some sort of socialist state. This boils down to a question of whether the effect on business expectations of the policy set forth will or will not be that looked to by the authors of the book. Again, who can say until our empty box is filled?

This is not the end of our troubles on this score. As soon as there is talk of filling this box the scene gets blacker, although perhaps some light is shed on why economists have not already investigated this concept. This box simply cannot be filled by an economist who is even remotely bound to the orthodox economic methodology and conceptual

⁴ See pp. 262-265 of *The General Theory of Employment, Interest, and Money*. Paramount among these factors are the tendency of business men to wait for a further cut of money wages, redistribution of income and consequent lowering of the propensity to consume and hence a less favorable demand for goods, and labor troubles resulting from a cut in money wages which may affect whatever favorable effect the cut might otherwise have had on the investment situation.

scheme. At the very outset an investigator would find that strategic factors affecting the putative profits outlook are factors of which the economist is accustomed to dispose by giving them the label, "extra-economic," in short by declaring them out of bounds. Further the concept of profits itself will have to undergo some considerable alteration. The simple dollars and cents concept of orthodox economics new or old is not broad enough to cover the variable in this situation. Putative profits need not necessarily be profits for the business concern as a whole. Berle and Means and many others have gathered ample data to show that the men in strategic discretionary positions are not the owners of the large corporations. Veblen and others have pointed out the extreme interdependence of the modern business system and the *de facto* effect of the policies of the controllers of the key industries on the entire remainder of the economy. When these two facts are considered in connection with putative profits, the magnitude of the necessary theoretical changes becomes clear. When business men denounce the Roosevelt administration for ruining the profits outlook⁵, what do they mean? Do they refer to five or six per cent profits for their companies or five or six thousand per cent for themselves? Is their reticence to invest due to a lack of consumers, fear of the government, or resentment against what they consider, rightly or wrongly, undue interference? All sorts of political, ethical, and psychological factors, factors which are at best peripheral problems in the theoretical system of present-day economics, must be taken into consideration before our knowledge of this problem is appreciably advanced. We must find out what forces are in fact responsible for the decisions of the men who sit around the directors' table. It is the necessity for including this kind of "extra-economic" information and the consequent abandoning of orthodox methodology which, I believe, accounts for the failure on the part of recognized economists to attack this problem.

Some remarks concerning the direction such an investigation must take are in order. It is by no means possible to offer even a reasonably complete schematic outline for this problem at present, but it is possible to indicate some of the strategic points of attack. In the first place the economist must be prepared to consider elements which from the standpoint of an observer of action are not directly relevant to the question of gain and loss expediency. These factors may be given the title,

⁵ Business men have been longer aware of the importance of expectations than economists.

"*normative elements.*" An example may serve to clear up this concept. A strategic factor in the recent economics situation in the United States has been the presence of what Professor L. J. Henderson has called the "residue of the unbalanced budget," *i.e.*, the feeling on the part of the business men in positions of control that there is something inherently dangerous and bad in a continually unbalanced government budget. From a theoretical standpoint on strictly rational economic grounds there is no more reason to fear continued deficit financing^a than there is to fear the continued increase in the funded indebtedness of business, a phenomenon which was present in ever increasing proportions in the capitalistic world up to the crisis of 1929 and which was everywhere viewed with approbation and regarded as a reliable ground for optimism by the same businessmen who are so horrified by an unbalanced budget. At the same time there is no doubting the fact that this non-rational fear is extremely important, along with related normative elements, in explaining the reticence in activity on the part of business men during the last ten years. That is to say such is the case unless one chooses to believe that the business men who have talked so much about this matter are unconscionably mendacious in which case this mendacity itself becomes a significant "extra-economic" phenomenon requiring explanation in order to erect verified hypotheses about this general phenomenon.

At any rate it is of crucial significance to study these normative elements as to their incidence, but it is further important to study the elements limiting the effects of such factors. Again it can be demonstrated that to a significant degree "extra-economic" factors are of importance. The attitude of business men toward the unbalanced budget is once more a case in point. Of recent months the hue and cry about the unbalanced budget has assumed a quite different tinge. In the face of a generally agreed upon necessity for huge expenditure on armaments the cry against the unbalanced budget has changed in two ways. First, the cry has shifted from one against unbalanced budgets in general to one attacking the past deficits, and very little has been said about the additional deficit necessarily to be incurred in rearmament. Second, the great cause of concern with the debt which will arise from rearmament is not for fear of the debt but rather the fear by one group that the members of another group will spend this money inefficiently in the face

^a See the recent works of J. M. Keynes, Alvin Hansen, *etc.*

of a generally agreed upon national emergency. Further it is important to note that in the last war there was no great concern over the indebtedness piled up by its prosecution. From this can be deduced the fact that of far more important effect in limiting the incidence of the "residue of the unbalanced budget" than matters of strict economic expediency is the situation of the nation with regard to threats from other powers. The non-rational (from the strict economic point of view) apprehension of unbalanced government budgets is negated by the equally non-rational (from the strict economic point of view) fear of foreign conquest or domination. At such a time business men who have fought government regulation of business not only enter into administration of even stricter interference but also strongly advocate it in instances where other business men refuse to perform government bidding by persuasion. Government interference changes its complexion and is given such titles as a "desireably close collaboration between business and government in time of national emergency." Thus it would seem that it is necessary to study problems of economic expediency in relation to a whole web of normative values which may act with sufficient strength to set aside single-minded pursuit of economic expediency.

There is another major aspect of this problem. This aspect seems to center around the structure of control of business firms in our society. Economists in the past have been prone to adopt a defeatist standpoint in this situation. The problems facing an executive in the steel industry and one in a large insurance firm are so vastly different, they argued, that any hope of arriving at valid theoretical generalizations about the functions of these men is at best illusory. Only two economists, Marshall and Veblen, did any self-conscious work on this problem. Neither man turned in work satisfactory for our purposes. Marshall laid emphasis on the necessity of possessing the qualities of a Victorian gentleman and bearing responsibility with calm, dignity, and honor. Veblen saw the function of the executive as making the firm "pay" and did throw very interesting light on the subject of just what this means under the system of business enterprise.

Chester Bernard in his book, *The Function of an Executive*, has pointed out that in large mature firms the executive is more apt to be concerned with preventing losses than with making great gains. In elucidating this factor, however, it is important to look into aspects of

the situation not examined by Bernard. The form of capitalization of firms is a strategic factor here. Under business enterprise firms are capitalized at a fair rate of returns. To use an oversimplified example: if a firm possessed a plant capable of producing a net profit per year of \$100 and if the going rate of interest were, say, 5 per cent, then the firm would issue stocks, bonds, debentures, and various instruments of the sort to the extent of \$2000 whether the plant actually cost \$2000 or whether it cost \$100. Indeed it would be foolish not to do so, for if it were capitalized at less the securities would be bid up to \$2000 upon hitting the market. If the firm were to fail to take advantage of any discrepancy between the actual value of the plant and the \$2000 capitalization of income at the going rate of returns, it would have violated the basic norm of business, rational pursuit of maximum economic gain. Were a firm to make such a mistake consistently its heads would be viewed as poor business men.

Now the effect of this sort of capitalization is to create a situation in which a firm may still be creating a considerable net income in terms of the actual value of the plant and yet be running at what the executive will call a loss. This is because issuance of the credit instruments mentioned above carries with it the obligation to pay dividends or interest. If the plant is worth only \$100, is earning \$100 per year, and is capitalized at \$2000, a fall in earnings from \$100 to \$75 will be viewed as a considerable loss by the executives of this firm. Such a fall will necessitate serious readjustments. This is not intended to cast a stigma on business men. In a sense they are helpless in the matter. They face a situation in which they are forced, whether they like it or not, to pursue goals given by the situation itself. There is another aspect of the position of business men with regard to the use of loan credit and salesmanship. As Veblen, E. H. Chamberlin, and Joan Robinson have pointed out, what would be of a differential advantage to one becomes a competitive necessity to all if actually instituted by one of them or expected to be instituted by one of them. If a business man fails to go along these paths, he will be wiped out, not necessarily in any malicious manner or as a result of any malevolence, but rather as the result of trying to play the game by different rules than the rest of the players employ.

Thus the putative profits outlook is not decided anew at the end of each accounting period or season. It is to a large degree determined or affected by this past factor of capitalization. There is every reason to

believe that the putative profits outlook of two equally intelligent men in the same business with identical plants could be radically different if their capitalization set-ups were of different sorts.

Another factor which has been kept, generally speaking, outside of the main line tradition's treatment of this problem has been the change in the locus of control of business firms. It has long been a commonplace observation in the profession that firms are no longer controlled by their legal owners to the extent that they once were. Whether one turns to Brandeis's *Other People's Money* or the Berle and Means classic, *The Modern Corporation and Private Property*, there is both ample acceptance and ample proof that this is a fact. This has interesting effects on the position of the business men. Insofar as the status of business men in our society has in the past been to a large degree correlated with the size of monetary income there may in the present be a positive injunction in some cases not to act in the firm's best long run interests. Such a situation may arise from the practices of giving bonuses in years of high earnings. Ordinarily there are not salary cuts for big executives in lean years and hence there may be a powerful incentive on the part of a given executive to increase the fluctuations of profits markedly, to earn high profits in a given year at the expense of moderate profits over a period of years. Cases in which the separation of ownership and control have resulted in pursuit of the executive's interest rather than the owners', let alone that of the community at large, have been spectacular and are well known on the American scene. At the same time this factor can be overemphasized. There appears to be a growing professionalization of the executive role and with it the beginnings of a shift in status determination from primary emphasis on the size of income to successful handling of positions of responsibility, or perhaps, to put it more accurately, a growing recognition of the difference between the two and of the fact that they are not necessarily concomitant. Nevertheless insofar as the primary emphasis lies on size of the monetary income and insofar as this separation of ownership and control exists there is an important area of admission to the computation of profits of factors which on the grounds of strict economic expediency within the orthodox theoretical scheme are excluded.

These examples will serve to throw some light on the sort of factors which must be elucidated in a study of putative profits if cycle theory is ever to get over this obstacle. Perhaps this problem has become more

crucial in the last five decades because within that short period a trend away from the existence of the institutions implicitly assumed by the orthodox economic analysis and to a rather extraordinary degree realized has definitely set in and because in the last decade and a half this trend has been tremendously accelerated. It is this situation which made the reification of the implicitly assumed institutional structure of the main tradition in economics painfully clear. Since one of the primary aspects of this trend has been a shift in ideas about, and institutionalization of, the power problem (both in the sense of its locus and its form of administration), it is perhaps a safe conjecture to say that the element of most importance to putative profits after the element of rational calculation in the strict orthodox sense is to be found in the attitudes of the men making these putative profit estimates toward what they consider to be the correct solutions to the power problem. The reiterated avowals of business men⁷ lend support to this as do many events of the past few years. It would seem that the crucial factor at present necessary to give determinate solutions to cycle theory and bring it out of the *de facto* realm of hypothetical theory and into the realm of observational theory is to work out and verify some theories about the effect on business men of different sort of solutions to the power problem and the incorporation of such results into the cycle theory itself.

Of course it is obvious that no scientific analysis will ever uncover all the factors affecting each putative profits decision, but this is not the job of science. Science does not deal with unique events but with uniformities. No natural science will tell us into how many pieces a lump of quartz blown off a mountain top in a storm will shatter upon landing thousands of feet below. Science can, however, tell us what the cleavage planes of the pieces will be. Similarly in economics it is necessary to be satisfied with establishing uniformities and analyzing their effects.

⁷ At this point it is perhaps pertinent to add a word about trade associations and other such organizations among business men. These organizations should furnish a fertile source of information of the sort needed. This is necessarily so since these bodies serve to reinforce the typical values of the business man and in addition to give expression to the general consensus of the members as to what lines of action ought to be followed in specific situations, given the institutional values and the structurally defined goals of the system in general. It is not likely that these organizations will be found to be the sources of the basic factors at work in any of the various solutions to the question, but their role in the formation of specific solutions would seem to be a rather large one, particularly, it appears, with regard to those putative profit factors which are generally considered "non-economic" (e. g., the attitude of business men toward the current solution of the power problem).

It is futile to demand a theory which will give each individual his solution to the problem, but it will be of great value to us, both in the form of an addition to our knowledge and in the form of an important aid in policy work, to isolate and analyze these uniformities.

In summation the problem is as follows: Economists may abandon the putative profits concept and with it all pretense to an explanation of the cyclical disturbances in a capitalistic economy. Or economists may continue their present ostrich-like handling of this problem and present the world with various theories which are all equally valid or invalid on this score, leaving everyone to choose in what theory to put his faith, to what theorist to pledge allegiance, since there is no scientific basis for choice between these theoretical positions. Or, as a final alternative, some economist must abandon the safe refuge of orthodox methodology and brave the dangers of erecting a conceptual scheme to handle the problem and of asking the business men for the data which they alone can give and which must serve as a basis for such a study, and thus attempt to give to economics a verified hypothesis as to just what affects putative profits, how this is done, and to what extent it reaches.

Field Course in Business

J. ORVAL ELLSWORTH
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Purpose: The "Field Course in Business," as conducted by the Texas Technological College, has been designed to stimulate the learning process on the part of the student by bringing within his personal experience first hand contacts with actual business institutions and with successful business people.

Plan of the course: The geographical remoteness of West Texas from the larger cities and the centers of business, makes week-end trips impractical. For this reason lengthy excursions have been taken during the summer months. Such courses have covered about 6000 miles in distance, have been seven weeks in duration, and have included study in 26 states.

Itinerary: Complete plans of what to study and where were developed through the four months preceding the course. Definite appointments were made in advance. The name of the firm, the name of the person to be interviewed, and the time of the day all appeared on the mimeographed itinerary which was in the possession of each student before departure. All appointments were confirmed and last minute reminders were sent each informant one or two days in advance of our arrival.

Cost: Students financed the expense of the course excepting the salary of the instructor, his expenses, and the cost associated with the development of the itinerary. Each student paid \$185 cash in advance to the instructor. This sum covered registration, \$15, for the credit course of six hours, transportation for 6000 miles by chartered bus (budgeted at one cent a mile), lodging for 49 night (budgeted at one dollar a night), food for 49 days (budgeted at one dollar a day), and miscellaneous costs including group entertainment. Reservations for lodging were made in advance and were paid for by the instructor. Cash was returned to the students at the rate of five dollars every five days to cover the cost of food. Each person purchased what and where he chose. In addition to the \$185, personal expenses for laundry, enter-

tainment, etc., ranging from five to fifty dollars were paid for by the individual. The instructor paid his own expenses except for travel. The degree of accuracy of the estimate of the budget is evidenced by the fact that \$1.25 of the \$185 was returned to each student at the close of the course.

Personnel: The approval of students by the instructor was necessary, and several applicants were rejected; however, generally anyone who could afford the trip was accepted. We hope hereafter to make junior standing prerequisite. In the past the group has included students from sophomores to high school teachers with master's degree.

Courses given in 1933 and 1935 contained men only; however, the course in 1939 contained sixteen men and eight women. We learned from the last trip that about fifteen students should be the maximum number and that a mixed group is undesirable. In the future we plan to take women and men in alternate years.

Advantages of a Field Course: Students remember experiences which were sufficiently interesting to be impressive. Textbook and class room study possesses a serious limitation in this regard. A field course provides daily new contracts, new experiences, new speakers, new subjects, all made under different and appropriate environment to stimulate learning. This may be illustrated by one day devoted to the study of the U. S. Customs Service. Four hours of the morning were spent indoors at the Customs headquarters in New Orleans. There we learned in unforgettable terms the problems associated with importation. Complications involved in the correct assessment of import duties were illustrated by certain specific items. Toys and novelties of various kinds carry duties determined by the highest rate on component parts used in the manufacture of the item. A tennis racket if admitted to be a toy or for the amusement of children carried a duty of seventy per cent, while if admitted for the purpose of exercise the duty was thirty per cent. A harmonica from Germany, if classed as a musical instrument carried a duty of forty per cent, while if classes as a toy the duty was seventy per cent.

The afternoon of the day with the Customs Office was spent on a Coast Guard Cutter in the harbor of New Orleans with a Customs officer explaining the problems and giving us details of what we saw.

Enduring impressions were made upon members of the class when they were seated in the Directors' chairs of General Motors while listen-

ing to Alfred P. Sloan. Similarly they were seated in the Directors' chairs of the New York Cotton Exchange and of the Federal Reserve Board in Washington, D. C. In addition to Mr. Sloan the following are representative of the business men who talked to the class:

Dr. B. E. Shultz, New York Stock Exchange, New York; *W. A. Thomas*, Internal Revenue, Dallas; *Dr. A. B. Cox*, University of Texas, Austin; *Joseph Vaccaro*, Manager, Standard Fruit and Steamship Company, New Orleans; *Dr. George Washington Carver*, of Tuskegee Institute; *A. H. Garside*, Economist, Cotton Exchange, New York; *Dr. Melvin T. Copeland*, Harvard University; *R. H. Grant*, Sales Manager, General Motors, Detroit.

Sample of Business Firms and Other Activities Studied by the Class:

Anderson and Clayton at Houston; *Municipal Cotton Warehouse*, at New Orleans; *Cotton Exchange*, New York; *Worth Street Cotton Market*, New York; *Pepperell Cotton Mills*, Opelika, Alabama; *Wool Market* in Boston; *Export Grain Elevator*, Galveston; *Chicago Board of Trade*; *Waples-Platter Company*, Fort Worth; *Neiman-Marcus*, Dallas; *Hunt Grocery*, Dallas; *Lord & Taylor*, New York; *Federal Reserve Bank*, Dallas; *Federal Reserve Board*, Washington; *Federal Land Bank*, Houston; *United States Treasury*, Washington; *Central-Hanover Bank*, New York; *Livestock Yards*, Fort Worth; *Prison Packing Plant*, Sugarland; *Swift and Company*, Chicago; *Welland Canal*, Canada; *Ship Canal*, Houston; *Federal Barge Line*, St. Louis; *Coast Guard Cutter*, New Orleans; *Port of New York*, on the Normandy; *Wharf and Docks*, Galveston; *Sugar Factory*, Sugarland; *Fish and Oyster Company*, Galveston; *Freeport Sulphur Company*, New Orleans; *Chesterfield*, Durham; *Hardwick and Magee Rug Company*, Philadelphia; *Campbell Soup Company*, Camden; *Shredded Wheat Mills*, Niagara; *Paper Mills* in Canada; *Ford River Rouge Plant*, Dearborn; *Rand-McNally*, Chicago; *United States Printing Office*, Washington; *Curtis Publishing Company*, Philadelphia; *Time, Life, and Fortune*, New York; *Babson's*, Boston; *United Business Service*, Boston; *Houston Municipal Market*; *Faneuil Hall Market*, Boston; *United States Customs*, New Orleans; *Library of Congress*, Washington.

Book Reviews

Teodoro de Croix and the Northern Provinces of New Spain, 1776-1783. From the Original Document in the Archives of the Indies, Seville. Translated and edited by Alfred Barnaby Thomas (Norman: University of Oklahoma Press, 1941, pp. xi, 273.)

Slowly but surely the history of the Spanish Southwest is being reconstructed and the work of Spain and Spanish officials in exploring, colonizing, and maintaining the far-flung empire in North America against incredible odds appraised in its true value. Not since the epochal study of H. I. Priestley on *José de Gálvez, visitor-general of New Spain* had a full and detailed picture been undertaken of the entire northern frontier from Louisiana to California and the problems involved in its development and defense. Truly does the author of this excellent study declare that "In spite of the failure of the authorities in the past to provide adequate defense against Indian invasions . . . the genius of Spanish colonization had dotted northern New Spain with cities and towns, introduced extensive mining developments, created a cattle range industry, and extended, by the heroic efforts of the padres, the civilizing work of the Church."

In a masterly introduction, the translator and editor of the informative General Report of 1781 traces in broad outline the northern advance of the Spanish frontier into Neuva Vizcaya, Coahuila, Nuevo León, Nuevo Mexico, and Texas, pointing out the vastness of the task in the face of the great barriers presented by the hordes of Indians and the difficult terrain of the region. His able discussion of the administration of the Interior Provinces by their first commander general, and the lucid analysis of the problems confronting him throw much light on the weakness of colonial administration, the corruption of officials, the effect of poor communications on the defense of the frontier, and the importance of Indian control in the maintenance of Spanish dominion.

The character of Teodoro de Croix stands out in broad contrast to the indifference and inefficiency of bureaucratic officialdom. His sincerity of purpose, his absolute honesty, and his resourcefulness in overcoming apparently insurmountable obstacles rank him with his brilliant contemporaries: José de Gálvez, Athanase de Mézières, and Auza. The translator aptly points out, however, that while there were specific tasks, the Caballero de Croix's problem was continental in scope. The truth of the assertion is forcefully impressed upon the reader by Croix's General Report in which he gives the most detailed and complete analysis of the problems confronting the provinces of Texas, Coahuila, New Mexico, New Vizcaya, Sonora, and California up to that time.

Fully annotated, carefully translated, supplied with an adequate bibliography and an analytical introduction, the General Report of the first commander of the Interior Provinces constitutes a valuable contribution to the history of the Spanish Southwest and the northern provinces of New Spain. The result of

years of careful research in the archives of Spain and Mexico and in the collections of California, Texas, and the Library of Congress made possible by grants from the University of California, the Guggenheim Foundation, the American Council of Learned Societies, and the Social Science Research Council, the book is an indispensable source for the student of Spanish colonial administration and of American history in the broader sense of the term.

The University of Texas

C. E. CASTAÑEDA, K. H. S.

An Analysis of Ad Valorem Property Tax Bases in Ft. Worth and An Analysis of Ad Valorem Property Tax Bases in Dallas. By The Bureau of Municipal Research, The University of Texas, with assistance of Work Projects Administration. Municipal Studies No. 16 and 17. (Austin: The University of Texas Press, 1941, pp. 83 and 99, respectively.)

These two reports are companion studies based on Work Projects Administration analyses of local data. They are similar in scope and in treatment. However, the Fort Worth report is not only fuller and better illustrated but also better written and more carefully edited. It seems the two documents rest on substantially the same kind of raw data and in the main reflect the same methodology. Each includes study of property renditions, assessments, reviews, relation between sales and assessed values, distribution of property assessments and collections, and tax exemptions.

In considering the merits of the reports, the reviewer ought to remember that each appears to have been designed to serve the city concerned. Thus, adverse criticism on the ground that the reports do not give the aid to other municipalities—especially other Texas municipalities—that might have been provided is more or less unfair. Notwithstanding this fact, the present reviewer cannot but regret that the writers omitted modest changes to make the thoroughly fruitful efforts expended even more widely helpful. So some of the suggestions that follow should be taken as relating to subject matter which the authors may not have envisaged.

The considerable literature on measurement of assessment efficiency has clearly defined and analyzed the two primary problems: (a) How nearly is the legal standard of valuation attained in practice; and (b) how nearly equal are assessments as between individual properties, different classes of taxpayers, and various kinds of real estate? Standard statistical techniques and methods of testing them are at hand. In the present extensive analysis this literature, the available methodologies, and the several reliability tests appear to have been ignored; though there is worked out *one* measure of real estate assessment inequalities. Since it appears (Dallas study, p. 40, second whole sentence) that the weighting is on approximately a number rather than a value basis, comparison even on this score can be made directly with only a part of the other available studies. In the Fort Worth report it appears that in part at least (p. 41) the more generally usable value weighting was used. Thus, the two analyses in this important respect seem to invoke different statistical methodology with possible noncomparable results.

Although the practical significance may not be great, it seems regrettable that the authors should have had so much difficulty in defining *value* and in understanding that what they regard as different concepts are more helpfully viewed as merely methods of estimating market value in those cases in which actual market data are inadequately available. (See for illustration pp. 36, 48, Dallas study.) There is even talk of intrinsic value—an economic concept that appeals to the economist as a clear-cut paradox.

The authors exhibit commendable sympathy with administrators, especially assessors. The critic finds it all too easy to damn all that looks amiss, the officers apparently responsible along with the rest, but not the writers of these two reports. Indeed, at certain points they approach an opposite extreme. Improper assessment of industrial property is explained by saying that to do this job well would require "the services of expert . . . engineers . . . , and their services are expensive." Perhaps it is even more expensive to forego such services. Again, the authors throw up their hands in surrender when it comes to discovering intangible property. It may be granted that the job cannot entirely be accomplished; but the authors might have suggested that there are available administrative techniques for doing much of the job, for example by using federal income tax returns.

The two studies represent a definite contribution to Texas taxation; and the reviewer, as an ex-Texan, appreciates the good work. It is gratifying, moreover, to have it intimated that assessment inequalities in these two communities are no greater than they are pictured in these reports.

University of Kentucky

JAMES W. MARTIN

Mack, Ruth P., *The Flow of Business Funds and Consumer Purchasing Power*. (New York: Columbia University Press, 1941, pp. xvii, 400.)

This book describes the dynamics of the flow of funds to and from business enterprises and the effect of this flow upon the ability of consumers to absorb industrial output. The approach is by way of the accounting technique of the source and application of funds statement applied to fifty-four corporations reporting financial data to the Securities and Exchange Commission. Retained income or net profits plus depreciation and reserve accruals, operating reserves, non operating income and profits are analyzed by this technique in the first six chapters. The year to year changes of financial and non-financial items are shown by establishing the ratios of the various items to sales.

To make the results of the statistical study more meaningful, the author interviewed executives of 54 corporations to determine the reasons for decisions effecting depreciation policy and the purchase of new equipment. As would be expected the depreciation policy was found to be influenced partially by the rulings of the Bureau of Internal Revenue. Since depreciation accruals were sufficient "to finance not only replacement of plant but most of the improvements in process, changing customer demand and increase in output required by the average company in established industries," it can be assumed that much

fully depreciated equipment was used long after it was written off. Such equipment was replaced only when it became too expensive to operate or when demand for products had materialized or when, in some cases, the demand had been in existence for a period of time.

The depreciation and purchase policy of the corporations created "a pattern of net retained income that was negative in 1932 because of the prevalence of business losses and jumped to a positive figure of 2% or 3% of sales in 1933, 1934, and 1935. Thereafter, the pressure of the undistributed profits tax on dividend distribution and increased expenditures on plant and equipment and business reverses in the second half of the year caused expenditures to exceed gross retention by about 1% of sales. In 1938, although capital expenditures had been cut, reduced profits caused net retained income to be negative." These flows of funds then, resulted in "credit creation and the flow of consumer saving to industry or credit liquidation and the failure of industry to provide the means of recirculating consumer saving."

The two final chapters attempt to apply the conclusions derived from the statistical study and the interviews to the flow of funds among the four important markets: the consumer market, the industrial market, the financial market, and the government. In order to understand these flows the author develops an involved formula which indicates "the flow of what is often called consumer saving into industry, government and foreign countries or the net movement of currently received and expended funds between these various groups."

The usefulness of this construction depends upon the reader's ability to place actual forces within the framework of the equation. The problems of the business cycle, the long term trend, taxation and economic integration are in turn fitted into the frame. This application leads the author to make a plea for compensatory government spending and the development of other governmental controls in order to bring about more economic cooperation.

On the whole this book is original and thought-stimulating since it goes farther in the use of the source and application of funds technique than any previous study. It is reassuring, but all too rare, to find a dynamic philosophic approach to an economic problem in which no attempt is made to arrive at definite standards for judgments where less clear-cut but important norms are used as frames of reference.

It is unfortunate that the author did not find the English language adequate for the expression of her thoughts but felt it necessary to coin compound terms and to make verbs from nouns, a practice considered scholarly by some economists. Such terminology makes the book difficult to read and will perhaps hinder some readers. But anyone willing to overlook this awkwardness and to master redefined meanings of terms will find the book informing and provocative.

University of Oklahoma

JOHN A. GRISWOLD

Zahler, Helene Sara, *Eastern Workingmen and National Land Policy, 1829-1862*. (New York: Columbia University Press, 1941, pp. x, 246.)

This book is one of the Columbia University Studies In the History of American Agriculture, edited by Professor Harry J. Carman, Professor of History in Columbia University, and Rexford G. Tugwell.

The United States began its career with a vast, fertile, unoccupied public domain which was to afford security for the national debt, assurance of national solvency, and the means of national improvement. In the face of a constant and growing demand for readier access to this source of wealth, it became impossible to retain the public lands as a Treasury asset or to reserve them as security for the public debt. The voice of the Eastern workingman was a significant one amid the conflicting aims and slogans of sectional, economic, and party forces striving to demonstrate that the land policy best suited to its interests was the policy most conducive to national welfare.

The purpose of this book is to consider the role of the workingman of the Eastern States in the reorientation of public land policy which took place between 1820 and 1862. This book takes up successively: Organized Labor and the Public Lands, 1829-1837; The Evolution of National Reform; National Reform Propaganda and Its Results; Organized Labor and the Public Lands, 1837-1862; National Reform in Politics; Land Policies and the Worker in Congressional Discussion, 1826-1846; Homestead: the Preliminary Period, 1846-1851; and Homestead: the Period of Republican Acceptance, 1854-1862. It has also a good summary chapter. The book has several valuable appendices, a splendid bibliography, and is well indexed.

Between 1781 and 1802 seven of the states ceded to the United States the trans-Appalachian areas claimed by them under their original charters. The Federal domain was enlarged before the Civil War by the acquisition of the Louisiana purchase, the Floridas, the great Southwest, and the Oregon territory. The formulation of a national land policy gave rise to two schools of thought each motivated to a large extent by economic considerations. One, the liberal school, insisted that the public domain should be disposed of quickly and on easy terms. This group was composed of pioneer farmers, land speculators, spokesmen for the laboring classes of Eastern urban communities, and the advocates of the theory that actual ownership of the land by the masses promotes real democracy. Opposed to the liberals were the conservatives, who maintained that the public land should be a great national resource from which the government would derive funds to be spent for the well-being, happiness, and education of all the people. To this school belonged owners of land in the Eastern States who feared the competition of the cheaper and more fertile lands of the West, and Eastern manufacturers who professed to see in these lands a strong attraction that would draw away this labor. Free homes on the public domain did become a national land policy but the public lands were not set aside as a sacred reserve for the exclusive use of the actual settler as labor so keenly desired. America's treasure of unsettled land was exploited without legal restraint on monopoly comparatively soon after the passage of the Act of 1862.

In writing the excellent book *Eastern Workingmen and National Land Policy 1829-1862* Dr. Zahler has added tremendously to our knowledge of the attitude of the Eastern workingmen toward our national land policy during the half century preceding the Civil War. While the book will be of particular interest to social scientists and students of American agriculture it is highly recommended to the general public as well.

Southwestern Louisiana Institute

KARL E. ASHBURN

Bolton, Frederick E., and Corbally, John E., *Educational Sociology*. (New York: American Book Company, 1941, pp. 632.)

It stands to reason that any book written at this time of universal war and chaos and presuming to deal with so vital an interest as education should at least say something as to the responsibility of education for what has come to pass and should give some hint as to how education might be made a more effective instrument of social order.

I am, therefore, very greatly disappointed to find in the above named book no recognition of a connection between education and the present world chaos. If education has been an important factor in determining the destiny of man it must in some way be responsible for the present state of universal war and chaos. Unless the leaders of education discover wherein their policies have been at fault and how that fault is to be rectified, there is nothing that they can say about education that will be of much account.

The authors of this book seem to be satisfied to quote the objectives promulgated by John Dewey and by the Roosevelt Advisory Committee on Education (1938). But they fail to note the importance which Dewey attaches to the cultivation of social ideals. "Only a blind man," he says, "would deny that the characteristic traits of present life are a mad scramble for material commodities, a devotion to the attainment of external power and an insensate love of foolish luxuries and idle display." It is the egoistic spirit of individuals and nations that has brought us to our present state of chaos. Unless education can build up a higher idealism, no perfection of educational organization can be of any value.

Any book on education written in the year 1941 should at least show some acquaintance with Sorokin's *Social and Cultural Dynamics* which is the most scholarly and extensive study of western culture that has yet been made, wherein is clearly shown the connection between the idealism of the people and the rise and fall of their culture. To say that the aim of education is to make people socially adapted to each other (Sec. 5, p. 323) is of no consequence unless there is a clear statement of the kind of standards and disciplines that would accomplish the result. If education is to go on in the future as in the past, over-emphasizing the egoistic and money-getting aspect of education and under-emphasizing the moral and social aspects, the people will always remain insensate in their idealism.

This book has sections dealing with "Democracy and Education," "National

Agencies of Democratic Education," "Religion as a Factor in Democratic Education," "The Larger Social and Vocational Aspects of Education," and the "Social Value of School Studies."

Its shortcomings, as above pointed out, are those of the general run of sociological texts. Compared to other books on educational sociology, it is a decided advance and I hope that its authors will soon give us a revised edition, making clear wherein the education of the future must be different from that of the past.

Norman, Oklahoma

JEROME DOWD

Gathings, James A., *International Law and American Treatment of Alien Enemy Property*. Introduction by Edwin Borchard. (Washington: American Council of Public Affairs, 1940, pp. xviii, 143.)

This book can be summarized best by giving the chapter headings. They are: Background on International Law and Practice; Practice of the United States During the Revolutionary War; Establishment of a Definite Policy by the United States; Treatment of Alien Enemy Property in Europe During the World War; American Policy During the World War, (a) Political, (b) Administrative; American Disposition of Alien Enemy Property; Comparison of Treatment of Enemy Property by States; Treatment of Enemy Property by the United States in the Future.

The author finds that the practice in ancient times was to confiscate enemy property in war wherever found, a practice which prevailed until the thirteenth century. Then the practice began to change for the benefit of merchants carrying on international trade and they were allowed time to leave and carry their property with them, provided the enemy did the same. This reciprocal treatment of merchants was gradually extended to "persons." Property might be seized and used during the war but was not confiscated and was returned to the owners after the end of hostilities. This custom became so common as to be accorded a place in international law.

In the American Revolution, which may be said at least to have begun as a rebellion, both sides violated international law in this respect. The same was true of the Federal and Confederate governments in the Civil War. In both cases, however, it must be remembered that the situation was complicated by the desire to punish treason and to retaliate. With these exceptions, the United States consistently developed a policy down to 1917 of not confiscating the property of resident alien enemies, although in the earlier period the judicial department differed with the political in saying that confiscation was not contrary to international law.

In World War I the European powers parties thereto sequestered the property of alien enemies to be held until the end of the war, although the English courts took the position earlier assumed by the American courts. The peace treaty gave to the Allies the right to liquidate the property and hold the proceeds as a guarantee of the payment of the claims of their nationals against Germany. If any was left, it should be credited to Germany on reparations.

In legislation Congress followed the example of the Allies. It provided for taking over the property of alien enemies to prevent its use to the detriment of the United States, but the author thinks that the custodian sometimes confiscated property in violation of the spirit, if not the letter, of the law and of international law.

This book gives a detailed statement of the legal side of the treatment of alien enemy property. On this side, there is little more to be desired. In the treatment there is some needless repetition. The author speaks of allies of the United States. This country had no allies in this war, only "associates." Nowhere does the author give the total valuation of the property seized or how much of it was returned to the owners. In the "Introduction" Professor Borchard gives some facts and figures and say that "the United States still holds or owes to the owners of German private property sequestered in 1917, some \$35,000,000 and the owners of requisitioned private property such as ships, patents and radio stations, some \$43,000,000 plus accrued interest on the sums."

The University of Texas

DAVID Y. THOMAS

Raushenbush, Carl, and Stein, Emanuel, *Labor Cases and Materials: Readings on the Relations between Government and Labor*. (New York: F. S. Crofts & Co., 1941, pp. xvi, 674.)

The purpose of this book, as stated in the preface (p. xiii), is to provide the "... students of society: students of economics, of government, of law . . ." with pertinent factual information regarding the influence of government on labor conditions in the United States. To accomplish this goal the authors have divided their book into two parts. The first part, which was written by Raushenbush, is devoted to "Governmental Influences on Collective Bargaining." This part embraces two main topics: first, the legal duties which unions owe to companies; and, second, the legal duties of companies to unions and unionists. Part two, which was written by Stein, deals with changes in the conditions of labor brought about by the government dictating certain minimum terms for the labor contract. In this part there are seven chapters, the first four of which are devoted to: limitations on the labor supply (e.g. child-labor legislation, etc.); the regulation of wages; the regulation of working time; and, the regulation of working conditions. The last three chapters cover the social security legislation.

In the reviewer's opinion, this book is very well organized. The authors have endeavored to intrude the case-method into the teaching of labor problems, but they have not merely presented the reader with a collection of labor cases. Interesting and well-written introductory material, which is interspersed throughout the text, serves as a preface for each group of the topically arranged cases, and a representative bibliography is included in the final pages. Moreover, it is this reviewer's opinion that they have included *all* of the more important labor cases in their book.

The authors have intended (p. xvi) to write a book that "... may be used not only in a course in labor legislation or one in trade unionism, but also in the

usual course on labor problems. . . ." They have recognized the shortcomings of their book as a text for the "usual course on labor problems," but it is this reviewer's contention that, although certain basic and fundamental forces in the field of labor relations must be mastered before labor laws and regulations can be interpreted intelligently, this is the *best book available* for such a course.

It is this reviewer's opinion that the authors have written a superb book for a course in labor legislation or one in trade unionism. Briefly, it is his opinion that they have made an *excellent contribution* to the now very inadequate authoritative works available for advanced and specialized courses in this field. When evaluated in these terms, the reviewer considers this book as constituting the first substantial contribution in the textbook field since the publication of the four volume "History of Labor" by Commons, Brandeis, Perlman, Taft, and Lescohier.

This reviewer is also of the opinion that the now very necessary "labor problems" publication is a well integrated introductory text centered about the forces and organizations functioning in this field. Until such a book is written, this reviewer recommends "Labor Cases and Materials" as the text for courses in "labor problems."

Southwestern Louisiana Institute

WILLIAM J. PHILLIPS

Hatcher, William B., *Edward Livingston: Jeffersonian Republican and Jacksonian Democrat*. (University, La.: Louisiana State University Press, 1940, pp. xiv, 518.)

Edward Livingston was born at Clermont in the colony of New York on May 28, 1764, and was graduated from Nassau Hall, now Princeton University, in 1781. He immediately entered upon the study of law at Albany under John Lansing, and after four years he gained admission to the bar. He married in 1788. He had a wide acquaintance, and learned the intricacies of the game of politics from his brother, Robert R. Livingston. He lived through the formative years of the young republic. He saw Federalism rise and fall, and he saw Jeffersonian Republicanism rise, grow, and finally transform into Jacksonian Democracy. He was a jurist, codifier, statesman, and diplomat. He died at Montgomery Place in his native state on May 23, 1836, just a few years after the Whig party came into being.

Livingston's political career covered the period from 1791 to 1835. He performed his work as a jurist and codifier in the State of Louisiana, where he moved from New York in 1804, the year after his brother Robert R. negotiated the Louisiana Purchase treaty with the aid of James Monroe. In the Louisiana penal code "he anticipated many of the features embodied in present-day social legislation" (p. viii). He played the role of statesman both in New York and Louisiana. From 1795 to 1801 he was a member of Congress from New York City and fought the passage of the Alien and Sedition Acts. He was elected to the Louisiana legislature in 1820, and on March 4, 1823, he began to serve the first of three consecutive terms as a member of Congress from Louis-

iana. In 1829 he was elected as the junior senator from Louisiana only to find this tenure cut short in 1831 by his appointment as Secretary of State in Andrew Jackson's revamped cabinet. In his second period of service in Congress he heard the pronouncement of the Monroe Doctrine and witnessed the struggle over the tariff from 1824 to the eve of nullification. His position as Secretary of State gave him the opportunity to denounce nullification by writing the proclamation which Jackson issued on the subject. His work as a diplomat came at the close of his political career when Andrew Jackson, sensing the opportunity of settling the solution of the spoliation claims question with France, appointed Livingston as minister to the court of Louis Philippe. He held this post from May 29, 1833, until his request to President Jackson on June 29, 1835, that he accept his resignation. Although Livingston hoped early in 1836 to be called back to his former post in the diplomatic service, President Jackson would not make the appointment.

These facts and, of course, many more are revealed in this interesting biographical study. There are seventeen chapters, six illustrations, and a 30-page critical essay on authorities. The index of twenty pages is in good proportion to the four hundred sixty-seven pages of text, and the illustrations are to the point. The style is clear and attractive, and the book as a whole is a credit to the author and the publisher.

The University of Texas

R. L. BIESELE

Ergang, Robert, *The Potsdam Fuehrer; Frederick William I, Father of Prussian Militarism*. (New York: Columbia University Press, 1941, pp. 290.)

This is a biography of the man who probably has the best claim to being the founder of Prussian, and hence of German, militarism. King Frederick William I of Prussia first significantly developed that army which ever since has been one of the leading contenders for power in Europe. Already in his own time the diplomatic importance of Prussia rose considerably above the status to which her territories and wealth would have entitled her because of the exceptional degree to which the resources of the state were devoted to military power, but it was mainly as a tool to be skillfully used by Frederick the Great, the son and successor of its creator, that the army built up by Frederick William I achieved historical importance. The story of the reign of the king whose single-mindedness and organizing ability, in spite of a deficient education and a warped personality, achieved the creation of a modern Sparta out of the discrete Hohenzollern principalities is ably told in the present book.

Besides the data essential to the understanding of Frederick William as a man and a ruler—his childhood, his education, and the atmosphere of his father's and his own courts—Ergang devotes attention to the king's military policy, showing the details of the execution of his major ambition, and also to his general policy in consolidating and unifying the Prussian kingdom. A dominating army cannot maintain itself except upon the basis of a large and prosperous organized community. Frederick William devoted much of his en-

ergies toward avoiding the situation in which his predecessors had been obliged to accept subsidies from foreign powers and hence to turn their armies into mercenaries. This aim required a unification of governmental practice throughout the accidentally accumulated Hohenzollern territories in order that a domestic commerce and an independent industry might bear the taxation essential for state independence. Ergang shows how the development of the Prussian bureaucracy, particularly in the fields of educational, financial and judicial administration, was carried out by the Prussian militarist without much sympathy for bureaucrats, scholars, lawyers, or even merchants but with an eye at least to the minimum conditions for commercial prosperity.

Concluding sections of the book deal with the education of Frederick the Great and his eventual yielding to the ideals of his father in spite of the counter-influence of a more liberal education. Frederick William I had only created a possibility of Prussian power. He had not put his military machine to serious use, and the limitations of his drill-sergeant mentality prevented him from using his potential power effectively in diplomatic negotiations. The machinery, however, was ready for the purposes of the more agile mind of his son.

The University of Texas

G. LOWELL FIELD

Norman Thomas, *We Have a Future*. (Princeton: Princeton University Press, 1941, pp. xii, 236.)

In this short volume, the perennial presidential candidate of the Socialist Party presents the case for American isolationism. It is not quite the same case as that of a Wheeler or a Philip LaFollette, for it is more concerned with the post-war economic organization. There is little insistence upon the imperialistic nature of the present conflict, which was the view of the Socialist leaders in World War I.

Mr. Thomas is unmoved by the main assumption of British propagandists—that Britain is fighting to save civilization! The record of Britain in its colonial empire is, to him, scarcely an epitome of an ethical world order; and Stalin's dictatorship is not preferable to Hitler's. Why, then, should America gird its loins to throw back the Teuton menace, if by so doing it merely establishes Stalinism or English Toryism in a position of political dominance.

In regard to a post-war settlement, the author believes that no political scheme will be able to unite the national states of the world. Viewing the Streit Plan as utopian and a League of Nations as an instrument of downright impotency, he somehow clings to the vague hope for economic reconciliation. He is very weak here. For how can these mutually suspicious and hating peoples reach economic agreements, and especially under the Socialist formula, if they cannot accept a few great principles of world peace structure? There are still two ways to acquire goods—to produce or to steal them!

The volume is not of usual Thomas standard, a standard that was made in several excellent treatises on the American economic system. Also he is much

more convincing in his destructive criticism than in his attempt to speculate upon the future. In addition, the author stops to wrangle over little points that might well be ignored in a work pitched high enough to save mankind.

University of Oklahoma

CORTEZ A. M. EWING

Harriss, G. Lowell, *Gift Taxation in the United States*. (Washington: American Council on Public Affairs, 1940, pp. vi, 175.)

This is a useful pioneer study of a relatively new field of taxation. Since gift taxation is ancillary to estate, and to an extent, income taxation, this book is of less interest to economists than to legislators and public administrators interested in plugging loopholes in estate and income tax structure as well as gift tax structure where such exists.

Particularly the law and the experience under the law of the federal government and, to a lesser extent, state governments are considered by Dr. Harriss. The earlier approach directed toward gifts in contemplation of death, and gifts to take effect at death is discussed together with straight gift taxation. Statutes, construction of statutes by courts, implementation of statutes by administrators, resulting alternatives left to taxpayers in their struggle to minimize tax burden, peculiar state and federal-state problems, and statistical results are given consideration.

Though numerous recommendations are made in the body of the discussion, the author concludes with the following general proposals to obtain the primary objective of taxing "all transfers by gifts and bequest—above a certain exemption—at rates which as actually applied are progressive." Combine the gift and estate taxes into a single transfer tax, so an individual's total tax liability should not be affected by his personal choice. The cumulative principle of the present federal tax should be extended to bequests, with the estate as the final gift of a series. Ideally, the states should be given part of the total transfer tax. Especially if no consolidation is effected, gift tax rates should be raised in the interest of gaining uniformity in the whole estate-gift field. Discrimination against some taxpayers who do not make use of trusts should be eliminated by the use of "aggregation," taxing as part of decedent's estate property from which he received or had a right to receive income. Property passing under powers of appointment should be subject to taxation.

University of Oklahoma

JOSEPH C. PRAY

Caroline F. Ware (Ed.). *The Cultural Approach to History*. (New York: Columbia University Press, 1940, pp. 359.)

Every historian should find something to interest him in this volume; for there are three dozen articles in a wide number of historical fields. There is an excellent series of short analyses of the Flowering of New England, there are interesting suggestions as to the study of nationality groups in the United States, there are important comments on the use of population data (notably the one

by Professor Malin), there are excellent studies on the peasant family in China, Russia and the Balkans, besides any number of other contributions.

Nor does the value of the volume end with subject matter and interpretation in restricted fields. An examination of the whole volume should be most helpful to the young student who is casting about for a field in which to do research. For here are possibilities galore, suggestions as to dozens of virtually unexplored areas for research, synthesis and interpretation. Whatever we may think of cultural history, we must all conclude that there is much work to do in the field, that it offers innumerable opportunities of every kind.

Volumes of collaboration almost always meet with the reviewer's stock statement that the contributions are uneven, that the contributors are working at cross purposes and fail to produce an integrated whole. For all its value, this work must meet that charge in its full force. The book is based on a group of papers read at a convention (American Historical Association, 1939), papers written independently by authors who did not have much of an opportunity to consult and work out a satisfactory pattern. Hence the wide scattering of material: a paper on Folk Music as a Source of Social History, one on the Character of Medieval Intellectual History, one on Documentary Photographs, one on Population Movements in the New South, one on Society as Viewed by the Anthropologist. The editor's effort to draw these pieces together is commendable but not altogether successful.

University of Arkansas

FRED HARVEY HARRINGTON

Gleason, Eliza Atkins, *The Southern Negro and the Public Library*. (Chicago: The University of Chicago Press, 1941, pp. xvi-218.)

This study is an investigation and evaluation of the public library service for Negroes in the thirteen states constituting the South. Specifically, it deals with the legal basis of free public library service to the Negro, the internal organization and administration of this service, the Negro population served, and the cost of such service.

Of a total of 774 public library units in the South, only 99 provide service for the Negroes. About one-fifth of the Negro population of the South is provided with this service. The analysis is based on personal inspection of every public library in the South which serves Negroes, and contains some valuable statistical data bearing on this problem.

Louisiana State University

VERNON J. PARENTON

Notes from the Southwest

The Twenty-third Annual Meeting of the Southwestern Social Science Association will be held in Dallas, April 3 and 4, with headquarters in the Baker Hotel. The various section meetings are open to the public. All interested persons are invited to attend.

It is almost a truism to note that war is hard on academic pursuits. In Europe the universities are closed; the journals of their learned societies have long since ceased publication. If success does not soon attend the efforts of our armed forces, we in the United States may be faced with similar necessities. When the necessity comes, if it does, we shall cheerfully make the best of it, but in the meantime it is our obligation to continue study and teaching as diligently as possible. Civilization as a whole will retrogress unless we constantly work to maintain it. A book laid down may be picked up again to be sure, but not without some loss. And the nature of learning is such that we must run like everything even to stay where we are. The moral: Keep up your membership in the Association.

LOUISIANA

Louisiana Polytechnic Institute—Miss Anna Green Smith and Dr. G. W. McGinty represented Louisiana Tech at the Southern Historical Association meeting at Atlanta, November 6-8.

Mr. L. W. Dixon, associate professor of secretarial science, attended the meeting of National Business Teachers Association in Chicago, December 29-31.

Dr. G. W. McGinty read a paper before a section of the American Association for the Advancement of Science meeting in Dallas, December 29-31. The subject of the paper was "The Negro Exodus, 1879-1881, in Louisiana." Professor McGinty's book, *Louisiana Redeemed: The Overthrow of Carpetbag Rule, 1876-1880*, has been released by the Pelican Press of New Orleans.

Louisiana State University—T. Lynn Smith, head of the department of sociology, has left for a year's stay in Brazil, where he will study problems of rural sociology.

Daniel Borth, comptroller of the University and former secretary-

treasurer of the Association, is engaged in installing accounting systems for the United States army.

TEXAS

Baylor University—Lloyd W. Roland, formerly professor of psychology at the University of Tulsa, has been appointed professor of psychology and chairman of the department.

Book Notes

Since Carl Stephenson's, *A Brief Survey of Mediaeval Europe* (New York: Harper and Brothers, 1941, pp. xviii 426), is mainly, as its preface states, a condensation of his much larger *Mediaeval History* (Harpers Historical Series, 1935), it has many characteristics of the older work which, it should be added, is a book of much popularity and merit. The newer book, here reviewed, is designed for college classes which need a brief survey text for a millennium of complex, dynamic development. The production of this book necessarily involved a series of hard decisions as to what to slight or to omit altogether. It would be ungracious, consequently, to do more than point out some seemingly undesirable omissions or excessive condensations. Thus the great accomplishments of Thomas Aquinas, Vincent of Beauvais, and Albertus Magnus are crowded into two paragraphs. The law merchant is apparently ignored; guilds are slighted; nor is the distinction between town and feudal life sufficiently developed. The important Abbé Suger is not even well identified. At times the author seems to act incautiously when he writes about "obviously . . . superior breeds of men" or about shifts in the population of the eleventh century. Chapter arrangement and paragraph treatment alike remind us of the older book. Unfortunately the pressure to condense has occasionally led to strained organization. For example a discussion of ecclesiastical reform is the final section of the chapter entitled "The Growth of Mediaeval Culture"; the concluding chapter, "Society and Culture in the Later Middle Ages," includes many diverse elements. These criticisms should not detract from the high quality of Stephenson's book. Commendable are his accounts of the genesis of the crusades, the distinction between the eastern and western empires, the establishment (or revival, if you prefer) of the Holy Roman Empire by the Saxon line, his account of architecture and literature, and finally the origin and character of the Renaissance and his estimate of Humanism.

G.D.

Professor Corwin's seventh revised edition of *The Constitution and What It Means Today* (Princeton: Princeton University Press, 1941, pp. xiv, 277) brings up to date what has proven to be the most complete and compact summary of contemporary meaning of our fundamental law yet made available to the student and public. In his usual clear and succinct style the author summarizes the influence and effect of the Court's decision since the last revision of his work in 1938 and includes such recent cases as *Apex v. Hutcheson*, *Hines v. Davidowitz*, *Olsen v. Nebraska*, and *U. S. v. Classic*. Professor Corwin sees in the recent and current decisions the continuance of the revolution in the Court's position which began while Justice Vandevanter was still on the bench and which is demonstrated in the rejection of "the principle of dual federalism as a test of national power and . . . of the laissez-faire capitalist concept of liberty as what employers want to

do." The court has also restrained itself in the use of the power of judicial review in relation to acts of Congress and has taken as its special area of protection the interests of organized labor; tendencies which the author believe will be continued for some time to come. An index, table of cases, and text of the Constitution, as well as a reprint of the pending child labor amendment add to the convenience and usefulness of the work.

H.M.M.

Statistical Atlas of Southern Counties; Listing and Analysis of Socio-Economic Indices of 1104 Southern Counties, by Charles S. Johnson and Associates (Chapel Hill: The University of North Carolina Press, 1941, pp. x, 355) is a very useful manual for busy people. It contains statistical data for each of 1104 counties of 13 southern states under seven heads: I. County Type (based on dominant characteristics); II. Population (number, density, % change 1920-1930, % urban-rural, racial and age distributions etc.); III. Education (14 subheads); IV. Literacy (5 subheads); V. Economic Characteristics (20 subheads); VI. Other Characteristics (Wealth and Lynchings); VII. Bibliography and symbols for typing count. The states covered are the eleven states of Odum's *Southeast* and Maryland and Texas (except for the sparsely settled western counties). The Introduction described the setup; Chapter II consists of summary tables and text for selected county types with some correlations; then follow thirteen chapters each devoted to the data for one state by county; Appendix A covers sources and methods in 32 pages, while Appendix B presents county references alphabetically arranged by author in 26 pages, and state references in 27 pages. There is no index. Good book.

W.C.

English Political Pluralism by Henry Meyer Magid (Columbia University Press, 1941, pp. 100) is a critical discussion of the theory of pluralism as developed in the writings of three of its leading English exponents, J. N. Figgis, C. D. H. Cole and Harold Laski. The author sees in pluralism a means by which the contemporary trend toward monism may be checked and a democratic society based on group interest and representation may be organized. Mr. Magid does not feel that the theories of any of the pluralists he has chosen for analysis fully meet the problem of the modern democratic state, rather he sees the pluralist ideal best realized by the development of a "unified" legal system plus a "federal" party structure of government based ultimately upon the various interest groups within the community. Such a solution he calls "cultural pluralism" and in its continuance and development he sees the ultimate safeguard for individual liberty against the attacks of totalitarianism. Although the author's style is on occasions difficult, this little essay is both timely and thought-provoking and deserves consideration by those who look ahead toward the "shape of things to come."

H.M.M.

Floyd M. Riddick's *Congressional Procedure* (Boston: Chapman and Grimes, 1941, pp. xvii, 387) is a much needed and very useful book for students of American government in general as well as those primarily interested in legis-

lation and legislative procedure. The much more intricate organization and procedure of the House of Representatives receives the bulk of the writer's attention; the final chapter is devoted to a resume of Senate procedure with a view to contrasting it with House procedure. Individual chapters treat of the political organization of the House, the Speaker, the Floor Leader, the Rules Committee, the committees of the House, the committees of the whole, and the non-legislative functions of Congress. Five additional chapters are concerned with the various important phases of House procedure. The book is comprehensive, clear and succinct, and reflects the writer's careful study, observation, and appreciation of the part played by party organization in the functioning of the House. It is heavily documented and has a very useful appendix and a selected bibliography.

O.D.W.

Aspects of Democracy (Baton Rouge: Louisiana State University Press, 1941, pp. 114), edited by Robert Bechtold Heilman, is a collection of twelve brief essays written by as many members of the faculty of Louisiana State University and originally delivered to student convocations at that institution as the Defense Lecture Series. The writers are convinced that democracy is neither a meaningless symbol nor a vague catchword to describe the *status quo*. They endeavor to emphasize anew the importance of such essentials as freedom of speech, press, and worship and to explain the relationship of democracy to such matters as the economic order and the family. They have not explained for all time the full meaning of democracy. In certain instances the views of the twelve authors conflict. Several of the essays have only a remote relationship to the main topic. Despite these weaknesses, several of the essays are stimulating and filled with quotable phrases. Judged by the standards of convocation addresses, the ones under consideration have an unusually substantial intellectual content.

D.S.S.

The present is a fruitful period for books dealing with the general subject of democracy, majority rule, the American tradition, and political leadership. One of the latest is Stuart Gerry Brown's *We Hold These Truths* (New York: Harper and Brothers, 1941, pp. x, 351). It is a collection of fifty-four documents of American history, ranging from the Mayflower Compact to President F. D. Roosevelt's first inaugural address. None of us would agree altogether with the choice which the editor has made. That is inevitable. The modern period could have been bolstered considerably by including Justice Hugo Black's epochal dissent and excerpts from one or many of Prof. T. V. Smith's speeches on American democracy. In a short introduction, the editor has defined the democratic process in terms of the right to differ. It is indeed refreshing to find a discussion of democracy that does not confuse government by the many and ideological interpretations of political economy.

C.A.M.E.

Contemporary Europe, A Study of National, International, Economic, and Cultural Trends, (New York: D. Van Nostrand Company, Inc., 1941, pp. xi,

670) is a symposium to which thirty well-qualified writers have contributed under the general editorship of Joseph S. Roucek. Twenty chapters are devoted to particular states or groups of small states. The introductory chapters deal with general international and economic questions. The concluding chapters take up: the new ideologies; the events leading to the present war; military strategy and geography; science and technology; philosophy, religion, and literature; the arts and music; the social sciences and education; Europe in world affairs; and the outbreak of war. Altogether, this is a large order for only 670 pages, but, on the whole, the result has been successful. There can be no doubt of the usefulness of such a compilation of information as reading material for current courses on contemporary European affairs. O.D.W.

Professor Charles H. McIlwain's six lectures, delivered in 1938-1939 at Cornell University, have been published by the Cornell University Press under the title—*Constitutionalism, Ancient and Modern* (Ithaca: 1940, pp. ix, 162). The titles of the lectures are as follows: "Some Modern Definitions of Constitutionalism"; "The Ancient Conception of a Constitution"; "The Constitutionalism of Rome and its Influence"; "Constitutionalism in the Middle Ages"; "The Transition from Medieval to Modern"; and "Modern Constitutionalism and its Problems." Mention should be also made of Professor McIlwain's other recent publication: *Constitutionalism and the Changing World* (New York: The Macmillan Company, 1939, pp. viii, 312) in which are reprinted fifteen papers published over the past twenty-odd years in various journals. O.D.W.

Filibustering in the Senate (Princeton: Princeton University Press, 1940, pp. ix, 252) by Franklin L. Burdette is essentially a survey of the history of the filibuster in the United States Senate with emphasis upon the last thirty years. In fact, more than two-thirds of the space is devoted to the period after 1908, with such chapter titles as: "The Modern Filibuster" and "Cloture at Last." In a final chapter, "The Dilemma," the author discusses the pros and cons of filibustering. The work is scholarly and fills a real gap in the literature of American legislature procedure. O.D.W.

The appearance of a comprehensive and scholarly study of the political philosophy of John Milton at the present moment in the history of liberty is indeed appropriate. Don M. Wolfe in his *Milton in the Puritan Revolution* (New York: Thomas Nelson and Sons, 1941, pp. xiv, 496) has presented such a work. After a lengthy Introduction, there are fourteen chapters covering Milton's political writings and contributions to the Puritan cause followed by extensive appendices, annotations, and a bibliography. O.D.W.